

# ANNUAL REPORT 2013



**CARBINE RESOURCES**  
LIMITED

ABN 81 122 976 818



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## CORPORATE DIRECTORY

<b>Directors</b>	Mr Patrick Walta (Executive Director) Mr Tom Bahen (Non-Executive Director) Mr Evan Cranston (Non-Executive Director) Mr Grant Mooney (Non-Executive Director)
<b>Company Secretary</b>	Mr Grant Mooney
<b>Principal &amp; Registered Office</b>	Suite 23, 513 Hay Street Subiaco WA 6008 Telephone: (08) 6142 0986 Facsimile: (08) 9388 8824 Email: admin@carbineresources.com.au
<b>Share Registry</b>	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153 Telephone: (08) 9315 2333 Facsimile: (08) 9315 2233
<b>Auditor</b>	Stantons International Audit and Consulting Pty Ltd Level 2, 1 Walker Avenue West Perth WA 6005
<b>Legal Advisers</b>	Bellanhouse Legal Suite 1, 6 Richardson Street West Perth WA 6005 Telephone: (08) 9226 2809
<b>ASX Code</b>	CRB

## **REVIEW OF OPERATIONS**

### **Due Diligence & Acquisition Program**

During 2013, Carbine executed a program of due diligence over a suite of opportunities for potential acquisition. The Company reviewed several gold and non-gold assets over the period in a range of locations.

The due diligence and acquisition program culminated in the agreement to acquire the Mount Morgan Gold & Copper Project from Raging Bull Mining Pty Ltd in April 2014.

Carbine is now undertaking a process of detailed metallurgical testwork on the asset to confirm the viability of restarting operations at Mount Morgan.

The Company continues to assess other complementary opportunities for acquisition.

### **Ouahigouya Gold Project, Burkina Faso**

The Ouahigouya Gold Project is located in an outlier of the Hounde Greenstone Belt in northwest Burkina Faso, West Africa and consists of a contiguous land holding of 1,264 km<sup>2</sup> comprising five granted exploration permits and two permit applications.

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

No further exploration was completed at the Ouahigouya Gold Project in 2013 with the Project remaining on care and maintenance. Carbine is considering options for the future of these permits, including divestment.

## 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 2013 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.

Mr Tom Bahen	Non-Executive Director	(Appointed 20 May 2013)
Mr Evan Cranston	Non-Executive Director	
Mr Grant Mooney	Non-Executive Director and Company Secretary	
Dr Paul Kitto	Non-Executive Director	(Resigned 31 January 2013)
Mr Peter Sheehan	Managing Director	(Resigned 20 May 2013)

### 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 \$1,096,746 (31 December 2012 Loss: \$495,970).

### Dividends Paid or Recommended

No dividends have been paid or declared.

### Financial Position

The net assets of the Group as at 31 December 2013 are \$5,454,285 compared to \$6,456,001 as at 31 December 2012.

### Review of Operations

#### Ouahigouya Project, Burkina Faso

Carbine's Ouahigouya Gold Project in Burkina Faso is located in an outlier of the Hounde Greenstone Belt in northwest Burkina Faso (West Africa) and consists of a contiguous land holding of 1,264 km<sup>2</sup> comprising five granted Exploration Permits (two in joint venture with Ampella Mining Ltd) and two permit applications. The Permits are located on a major northeast trending crustal scale shear zone, the Ouahigouya Deformation Corridor. Numerous gold occurrences are located along this deformation corridor with a large number of both major and minor artisanal fields either historically or currently being mined.

Exploration on the project to date has not delivered results of sufficient magnitude to support continued exploration at historic levels. This, combined with current market sentiments towards gold and gold exploration in West Africa, has led the Board to make the decision that it is not prudent to utilise expensive exploration methods such as drilling at this time. A minimal exploration budget has been approved for 2014 and the Board will monitor market conditions going forward.

## Significant Changes in State of Affairs

Mr Tom Bahen was appointed as Non-Executive Director of Carbine Resources Ltd on 20 May 2013 following the resignation of Mr Peter Sheehan from his position as Managing Director on 20 May 2013.

### Capital Raisings during the Year

No capital raising activities were conducted during the year.

### Options

No options were exercised or issued in Carbine Resources Limited during the year ended 31 December 2013.

The following options expired during the year:

Date of Expiry	Number of Options	Category of Options	Option Details
24 August 2013	2,000,000	Director options	Exercise price of \$0.30 each
24 August 2013	2,000,000	Director options	Exercise price of \$0.40 each
27 August 2013	1,000,000	Director options	Exercise price of \$0.30 each
27 August 2013	1,000,000	Director options	Exercise price of \$0.40 each
2 September 2013	850,000	Director options	Exercise price of \$0.30 each
13 September 2013	750,000	Director options	Exercise price of \$0.40 each

At the date of this report the Group has no listed options and 8,425,000 unlisted options over ordinary shares in Carbine Resources Limited as follows:

- 425,000 unlisted options at an exercise price of \$0.38 with an expiry date of 1 April 2014;
- 2,000,000 unlisted options at an exercise price of \$0.075 with an expiry date of 11 June 2015;
- 2,000,000 unlisted options at an exercise price of \$0.10 with an expiry date of 11 June 2015;
- 1,000,000 unlisted options at an exercise price of \$0.115 with an expiry date of 11 June 2015; and
- 3,000,000 unlisted options at an exercise price of \$0.20 with an expiry date of 11 June 2015.

There are no rights to participate in share issues attached to these unlisted options unless exercised before the record date of any such issue.

### Matters Subsequent to the End of the Financial Year

There were no events subsequent to the end of the financial year ended 31 December 2013 that would have material effect on these financial statements.

### Future Developments, Prospects and Business Strategies

Disclosure of further information regarding likely developments in the operations of the Group in future financial periods and the expected results of those operations is likely to result in unreasonable prejudice of those operations, or the state of affairs of the Group in future financial periods.

## Information on Directors

### Mr Tom Bahen

### Non-Executive Director

Mr Tom Bahen is currently a Director of Private Clients and Institutional Sales at national stock broking firm Paterson Securities Limited. He has participated in many small and mid tier corporate transactions for ASX listed companies.

His previous experience includes assurance and advisory with global accounting firm Deloitte, financial advisory and project generation for ASX listed companies.

He holds a bachelor of Commerce degree (Accounting and Finance) from the University of Western Australia.

### 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 an executive director of ASX-Listed Attila Resources Limited and a non-executive director of ASX-Listed companies Boss Resources Limited and Cradle Resources Limited. Mr Cranston was previously Executive Director – Corporate of ASX-Listed Ampella Mining Limited to April 2012.

### Mr Grant Mooney

### Non-Executive Director and Company Secretary

Mr Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners, specialising in corporate compliance administration to public companies. He 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. Mr Mooney is a member of the Institute of Chartered Accountants in Australia.

Currently, Mr Mooney serves as a Director and Company Secretary to several ASX listed companies across a variety of industries including technology and resources. He is a Director of ASX listed resource companies Barra Resources Limited, Phosphate Australia Limited, Wild Acre Metals Limited, and Talga Resources Limited and is Chairman of renewable energy company Carnegie Wave Energy Limited. Mr Mooney was previously a director of ASX-Listed Attila Resources Limited to October 2012.

## 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:

	Board Meetings Eligible to Attend as a Director	Board Meetings Attended while in Office
Tom Bahen (appointed 20 May 2013)	3	3
Evan Cranston	3	3
Paul Kitto (resigned 31 January 2013)	Nil	N/A
Grant Mooney	3	3
Peter Sheehan (resigned 20 May 2013)	Nil	N/A

There were no separate Remuneration Committee Meetings held during the year. 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 Tom Bahen	-	*2,422,799	-	-
Mr Evan Cranston	-	-	1,000,000	-
Mr Grant Mooney	-	**135,000	-	***1,000,000

\* Shares held by Mr Tom Bahen are held by Kobia Holdings Pty Ltd

\*\* 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)

## 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:

- Mr Tom Bahen – Non-Executive Director (appointed 20 May 2013)
- Mr Evan Cranston – Non-Executive Director
- Dr Paul Kitto – Non-Executive Director (resigned 31 January 2013)
- Mr Grant Mooney – Non-Executive Director and Company Secretary
- Mr Peter Sheehan – Managing Director (resigned 20 May 2013)

## Compensation of Key Management Personnel

Due to the size of the Company, the Remuneration Committee is currently comprised of all of the Directors of the Board. The Committee assesses the appropriateness of the nature and amount of emoluments of such key management personnel 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 personnel. 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. No additional fees are payable for chairing or participating in sub-committees of the Board. Non-Executive Directors' fees and payments are reviewed annually by the Remuneration Committee. Executive Directors' fees and payments, other than Long term incentives subject to shareholder approval as detailed below, are documented in service agreements that are approved by the members of the Remuneration Committee before execution.

*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 are 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; this provides incentive for management to improve the Company's performance.

2013	Short-Term Cash Salary and Fees	Benefits Non-monetary benefits	Post Employment Benefits Super-annuation	Share-Based Payment Shares / Options	Total	Remuneration consisting of Options
Name	\$		\$	\$	\$	%
<b>Non-Executive Directors</b>						
Mr Tom Bahen (appointed 20 May 2013)	22,590	2,624	2,079	-	27,293	0%
Mr Evan Cranston Dr Paul Kitto (resigned 31 January 2013)	54,500	4,237	-	-	58,737	0%
Mr Grant Mooney)	4,167	360	375	-	4,902	0%
	-	-	-	-	-	0%
<b>Sub-total Non-Executive Directors</b>	<b>81,257</b>	<b>7,221</b>	<b>2,454</b>	<b>-</b>	<b>90,932</b>	<b>0%</b>
<b>Executive Director</b>						
Mr Peter Sheehan (resigned 20 May 2013)	162,908	1,625	15,625	-	180,158	0%
<b>Other Key Management Personnel</b>						
Mr Grant Mooney*	52,000	4,237	-	-	56,237	0%
<b>Total</b>	<b>296,165</b>	<b>13,083</b>	<b>18,079</b>	<b>-</b>	<b>327,327</b>	<b>0%</b>

\*In respect of company secretarial fees paid to Mooney & Partners Pty Ltd

2012	Short-Term Benefits	Benefits	Post Employment Benefits	Share-Based Payment		Remuneration consisting of Options
Name	Cash Salary and Fees \$	Non-monetary benefits	Super-annuation \$	Shares / Options \$	Total \$	%
<b>Non-Executive Directors</b>						
Mr Evan Cranston	55,000	3,389	-	21,000	79,389	26%
Dr Paul Kitto	50,000	3,389	4,500	21,000	78,889	27%
Mr Grant Mooney (appointed 18 January 2012)	-	3,231	-	21,000	24,231	87%
<b>Sub-total Non-Executive Directors</b>	<b>105,000</b>	<b>10,009</b>	<b>4,500</b>	<b>63,000</b>	<b>182,509</b>	<b>35%</b>
<b>Executive Directors</b>						
Ms Aoife McGrath (resigned 18 January 2012)	40,854	167	-	-	41,021	0%
Mr Peter Sheehan (appointed 22 February 2012)	225,004	2,907	20,250	156,000	404,161	39%
<b>Sub-total Executive Directors</b>	<b>265,858</b>	<b>3,074</b>	<b>20,250</b>	<b>156,000</b>	<b>445,182</b>	<b>35%</b>
<b>Other Key Management Personnel</b>						
Mr Grant Mooney*	60,000	-	-	-	60,000	0%
<b>Total</b>	<b>430,858</b>	<b>13,083</b>	<b>24,750</b>	<b>219,000</b>	<b>687,691</b>	<b>32%</b>

\*In respect of company secretarial fees paid to Mooney & Partners Pty Ltd

### Compensation Options

There were a total of 8,000,000 compensation options issues to Directors during the financial year ended 31 December 2012 as part of the Long Term Incentives as detailed above and as approved by shareholders at the Annual General Meeting held on 31 May 2012.

### Service Agreements

The Group entered into a Service Agreement with Mr Peter Sheehan, Managing Director, on 20 February 2012. The agreement provided for an annual salary of \$250,000, reviewed annually, for an

indefinite period and severable by either party provided that three months written notice is given. This service agreement, except for enduring elements, was terminated at Mr Sheehan's resignation on 20 May 2013.

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 2013.

### Share Based Payment Compensations

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 below. When exercisable, each option is convertible into one ordinary share of Carbine Resources Limited. No options were granted during the year and all outstanding options issued to Directors in prior years were granted in prior years with no vesting conditions. Further information on the options is set out in notes 16 and 17 to the financial statements.

Key Management Personnel	Numbers of options granted during the year	Value of options at grant date *	Numbers of options vested during the year	% vested during the year	Numbers of options lapsed during the year	Value at lapse date **
<i>Non-Executive Directors</i>						
Mr Evan Cranston	-	-	-	-	2,000,000	-
Mr Tom Bahen	-	-	-	-	-	-
Dr Paul Kitto	-	-	-	-	2,000,000	-
Mr Grant Mooney	-	-	-	-	750,000	-
<i>Executive Directors</i>						
Mr Peter Sheehan	-	-	-	-	-	-
	-	-	-	-	<b>4,750,000</b>	-

\* The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration

\*\* The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Details of options held by each key management person of the Group at the date of this report are shown below.

Key Management Personnel	Grant date	Number granted	Value of options granted \$	Vesting date	Expiry Date	Vested %
<i>Non-Executive Directors</i>						
Mr Evan Cranston	31/5/2012	1,000,000	21,000	31/05/2012	11/06/2015	100
Mr Grant Mooney	31/5/2012	1,000,000	21,000	31/05/2012	11/06/2015	100

No options were exercised during the year that were previously granted as remuneration.

***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 \$13,083 (2012: \$13,083).

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

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

**Other Information**

The registered office and principal place of business is 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.

### 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 26<sup>th</sup> day of March, 2014

Signed in accordance with a resolution of the Directors

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

**Mr Evan Cranston**  
Non-Executive Director

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	CONSOLIDATED	
		2013 \$	2012 \$
<b>Revenue from continuing operations</b>	2(a)	177,384	241,492
<b>Other income</b>	2(b)	13,190	2,816,308
Exploration & evaluation costs	8	(366,617)	(2,385,310)
Loss on disposal of financial assets		(240,800)	
Reversal of impairment/(impairment) of receivable	5	14,261	(231,348)
Depreciation	2(c)	(65,810)	(130,733)
Share based payment expenses	17	(16,382)	(63,666)
Employee, director and consultant expenses	2(d)	(330,230)	(439,896)
General and administration expenses	2(e)	(281,742)	(302,817)
Loss before income tax expense		<u>(1,096,746)</u>	<u>(495,970)</u>
Income tax expense	3	-	-
Loss after income tax from continuing operations attributable to owners of Carbine Resources Limited		<u>(1,096,746)</u>	<u>(495,970)</u>
<b>Loss attributable to members of Carbine Resources Limited</b>		<b><u>(1,096,746)</u></b>	<b><u>(495,970)</u></b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on translation of foreign operations	20(b)	78,648	664
Total other comprehensive income/(loss)		<u>(1,018,098)</u>	<u>(495,306)</u>
<b>Total comprehensive loss attributable to members of Carbine Resources Limited</b>		<b><u>(1,018,098)</u></b>	<b><u>(495,306)</u></b>
<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	(0.78)	(0.35)
Diluted loss per share	12	(0.78)	(0.35)

This Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Notes	CONSOLIDATED	
		2013	2012
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	4	5,308,154	4,920,642
Trade and other receivables	5	51,151	30,868
Financial assets	9a	-	1,260,000
Other current assets	6	18,513	26,240
<b>Total Current Assets</b>		<b>5,377,818</b>	<b>6,237,750</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	61,037	214,594
Exploration and evaluation expenditure	8	-	-
Financial assets	9b	50,000	50,000
<b>Total Non-Current Assets</b>		<b>111,037</b>	<b>264,594</b>
<b>Total Assets</b>		<b>5,488,855</b>	<b>6,502,344</b>
<b>Current Liabilities</b>			
Trade and other payables	10	34,570	35,637
Provisions		-	10,706
<b>Total Current Liabilities</b>		<b>34,570</b>	<b>46,343</b>
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>34,570</b>	<b>46,343</b>
<b>Net Assets</b>		<b>5,454,285</b>	<b>6,456,001</b>
<b>Equity</b>			
Issued Capital	11	22,636,442	22,636,442
Reserves	20	2,603,857	2,508,827
Accumulated losses		(19,786,014)	(18,689,268)
<b>Total Equity</b>		<b>5,454,285</b>	<b>6,456,001</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	CONSOLIDATED				
	Contributed Equity	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$		\$
<b>Balance at 1 January 2013</b>	<b>22,636,442</b>	<b>(18,689,268)</b>	<b>2,341,346</b>	<b>167,481</b>	<b>6,456,001</b>
Loss for the year	-	(1,096,746)	-	-	(1,096,746)
Exchange difference on translation of foreign operations	-	-	-	78,648	78,648
<b>Total comprehensive income/ (loss) for the year</b>	<b>-</b>	<b>(1,096,746)</b>	<b>-</b>	<b>78,648</b>	<b>(1,018,098)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Share based payments	-	-	16,382	-	16,382
	-	-	16,382	-	16,382
<b>Balance at 31 December 2013</b>	<b>22,636,442</b>	<b>(19,786,014)</b>	<b>2,357,728</b>	<b>246,129</b>	<b>5,454,285</b>

	CONSOLIDATED				
	Contributed Equity	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$		\$
<b>Balance at 1 January 2012</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>
Loss for the year	-	(495,970)	-	-	(495,970)
Exchange difference on translation of foreign operations	-	-	-	664	664
<b>Total comprehensive income/ (loss) for the year</b>	<b>-</b>	<b>(495,970)</b>	<b>-</b>	<b>664</b>	<b>(495,306)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Share based payments	-	-	345,402	-	345,402
Cancelled options	-	-	(281,736)	-	(281,736)
	-	-	63,666	-	63,666
<b>Balance at 31 December 2012</b>	<b>22,636,442</b>	<b>(18,689,268)</b>	<b>2,341,346</b>	<b>167,481</b>	<b>6,456,001</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	CONSOLIDATED	
		2013	2012
		\$	\$
<b>Cash Flows From Operating Activities</b>			
Payments to suppliers and employees		(602,614)	(872,877)
Exploration expenditure, prospects, management fees		(294,089)	(3,350,269)
Other operating income		6,387	-
Increase in utility deposits		-	(1,398)
Decrease in utility deposit		2,799	243
Interest received		134,336	241,492
<b>Net cash (outflow) from operating activities</b>	18	<b>(753,181)</b>	<b>(3,982,809)</b>
<b>Cash Flows From Investing Activities</b>			
Payment for plant and equipment		-	(66,461)
Proceeds from disposal of plant and equipment		117,458	42,743
Proceeds from sale of tenements		-	96,025
Proceeds from sale of investments		1,019,200	1,382,892
<b>Net cash inflow from investing activities</b>		<b>1,136,658</b>	<b>1,455,199</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from issue of shares, net of capital raising costs		-	-
<b>Net cash inflow from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>383,477</b>	<b>(2,527,610)</b>
Cash and cash equivalents at the beginning of the year		4,920,642	7,447,790
Differences in foreign exchange		4,035	462
<b>Cash and cash equivalents at the end of the year</b>	4	<b>5,308,154</b>	<b>4,920,642</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

## 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 certain 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 Profit or Loss and Other 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the 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.

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) Property, 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 profit or loss 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:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Furniture & Equipment	20% - 33%
Motor vehicle	33%
Patenting, Licensing, Software	33%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and Other 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 profit or loss.

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 classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss
- loans and receivables
- held-to-maturity investments; and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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.

### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

Loans and receivables are included in trade and other receivables (note 5) in the balance sheet.

### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

Financial assets at fair value through profit or loss 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.

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 through profit or loss are recognised in profit or loss.

### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets quoted in an active market with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

### *Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### Financial Liabilities

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

### Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

#### *Valuation techniques*

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

### *Fair value hierarchy*

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

#### Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

#### Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

#### Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- i. if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- ii. if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### **(h) Trade Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised 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 reorganisation, 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.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised 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**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Carbine Resources Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 15.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### **(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.

#### *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 Profit or Loss and Other 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 Profit or Loss and Other 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 Profit or Loss and Other 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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

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.

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 Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term. Lease incentives are recognised in the Statement of Profit or Loss and Other Comprehensive Income as an integral part of the total lease expense.

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

The Company provides benefits to employees (including Directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The plan currently in place to provide these benefits is 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 an appropriate option pricing 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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest.

This opinion is formed based on the best available information at balance date. No expense is recognised for awards that do not ultimately vest. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### **(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) 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.

### **(q) Other taxes**

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

- when the GST or VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST or VAT 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 or VAT included.

The net amount of GST or VAT 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 and VAT components 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 2013

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

### (r) New and amended standards adopted by the group

The group has applied the following standards and amendments for first time in their annual reporting period commencing 1 January 2013:

- AASB 2011-9, Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income
- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* and
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2013 affected any of the amounts recognised in the current period or any prior period, although it caused certain changes to the Group's accounting policies. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met. Amendments to AASB 12 *Disclosure of Interests in Other Entities* require additional information to be disclosed in respect of each subsidiary that has a material non controlling interest. Amendments to AASB 13 *Fair Value Measurement* require enhanced disclosure regarding assets and liabilities that are measured at fair values.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**(s) New accounting standards for Application in Future Periods**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group.

At the date of the authorization of the financial statements, the standards and Interpretations listed below were in issue but not yet effective.

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
AASB 9 'Financial Instruments', AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', and AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'	1 January 2015	31 December 2015
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	31 December 2014
AASB 2012-3 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132)	1 January 2014	31 December 2014
AASB 2013-3 'Amendments to Australian Accounting Standards for Recoverable Amount Disclosures for Non Financial Assets' (Amendments to AASB 136)	1 January 2014	31 December 2014
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]'	1 January 2014	31 December 2014
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]'	1 January 2014	31 December 2014

The Group has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations the Group's assessment of those new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010). These Standards are applicable

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 2011-4: Amendments to Australian Accounting Standards to remove the individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods commencing on or after 1 July 2013).

This standard makes amendments to AASB 124; Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paragraphs Aus 29.1 to Aus 29.9.3).

This standard will not significantly impact the Group's financial report as a whole.

AASB 2012-3 'Amendments to Australian Accounting Standards Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132) (applicable for annual reporting periods commencing on or after 1 January 2014).

This standard is not expected to significantly impact the Group's financial report as a whole.

AASB 2013-3 'Amendments to Australian Accounting Standards for Recoverable Amount Disclosures for Non Financial Assets '(Amendments to AASB 136)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

The AASB has made amendments to the disclosures required by AASB 136 Impairment of Assets which:

- remove the requirement to disclose the recoverable amount of all cash generating units (CGU) that contain goodwill or identifiable assets with indefinite lives if there has been no impairment; this disclosure was introduced with AASB 13 and will become applicable from 1 January 2014
- require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed
- require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

This standard is not expected to have a material impact on the Group financial report.

AASB 2013-4 and AASB 2013-5 are not relevant to the Group.

### **(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.

### **(u) Interests in Joint Arrangements**

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

The Group has no interests in joint arrangements in 2012 or 2013.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### (v) 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 payments*

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. Refer to Note 17 for further details.

#### *Impairment of VAT receivable*

As at 31 December 2013 the Group had VAT receivable in Burkina Faso of \$911,896 (2012: \$764,826). The VAT is recoverable against generation of revenue for which the Group would be required to remit VAT. The Group determined that at this stage of exploration it was not yet probable that it would generate this revenue and the whole of the VAT receivable has been treated as impaired. Refer to Note 5 for further details.

#### *Exploration and Evaluation*

All acquisition costs and subsequent exploration and evaluation expenditure for areas of interest of the Group have been fully expensed.

#### *Deferred Taxation*

No deferred tax assets or deferred tax liabilities are currently brought to account by the Group because there is insufficient certainty that the Group will derive sufficient future assessable income to enable any income tax benefits to be realised and comply with the conditions for assessable income or allowable deductions imposed by the law.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**2. REVENUE, OTHER INCOME AND EXPENSES**

	<b>CONSOLIDATED</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Revenue from continuing operations</b>		
Interest revenue	177,384	240,211
Other revenue	-	1,281
	<u>177,384</u>	<u>241,492</u>
<b>(b) Other income</b>		
Gain on sale of mineral exploration interests	-	1,936,025
Gain on disposal of plant and equipment	6,803	18,156
Proceeds on sale of other assets	6,387	-
Foreign exchange gain	-	59,235
Increase in fair value of financial assets	-	802,892
	<u>13,190</u>	<u>2,816,308</u>
<b>(c) Depreciation</b>		
Plant and equipment	(65,810)	(130,733)
<b>(d) Employee, director and consultant expenses</b>		
Superannuation expenses	(18,079)	(25,774)
Other expenses	(312,151)	(414,122)
Total employee, director and consultant expenses	<u>(330,230)</u>	<u>(439,896)</u>
<b>(e) General and administration expenses</b>		
Operating lease - rental	(36,000)	(36,000)
Administration fees	(75,000)	(68,750)
Other expenses	(170,742)	(198,067)
Total general and administrative expenses	<u>(281,742)</u>	<u>(302,817)</u>

**3. INCOME TAX EXPENSES**

The components of income tax expense comprise:

Current tax	-	-
Deferred tax	-	-
Income tax benefit reported in the Statement of Profit or Loss and Other Comprehensive Income	<u>-</u>	<u>-</u>

The prima facie tax on profit/(loss) before income tax is reconciled to the income tax as follows:

Accounting Loss before income tax	(1,096,746)	(495,970)
-----------------------------------	-------------	-----------

Amount calculated on the domestic rates applicable to profits or losses in the countries concerned at the Group's weighted average statutory rate of 23.7%. (2012: 10.3%)

Temporary differences	(310,669)	(51,037)
Tax effect of expenses that are never deductible for tax purposes	45,353	47,726
Unrecognised DTA losses	5,403	16,456
Utilisation of carried forward tax losses	259,913	(13,145)
Income tax attributable to the Group	<u>-</u>	<u>-</u>

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	4,675,888	5,401,945

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<b>CONSOLIDATED</b>	
	<b>2013</b>	<b>2012</b>
	\$	\$
Deferred tax assets/ (losses)		
- temporary differences	71,393	(46,735)
- tax losses (operating losses)	4,604,495	5,448,680
- tax losses (capital losses)	-	-
	4,675,888	5,401,945

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

The effective income tax rates within Australia and Burkina Faso are 30% (2012: 30%) and 22.5% (2012: 22.5%) respectively. The effective weighted average income tax rate for 2012 was only 10.3% because an income tax profit was realised in Australia while an income tax loss was realised in Burkina Faso. There were sufficient accumulated tax losses in Australia for this to not create an Australian income tax liability.

**4. CASH AND CASH EQUIVALENTS**

Cash at bank	5,306,101	4,917,538
Petty Cash	2,053	3,104
	5,308,154	4,920,642

The effective interest rate on short term bank deposits was 3.77% (2012: 3.50%)

**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:

Cash at bank	5,306,101	4,917,538
Petty Cash	2,053	3,104
	5,308,154	4,920,642

The Group's 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 equivalents mentioned above.

**5. TRADE AND OTHER RECEIVABLES**

Net GST refundable	4,107	7,228
VAT receivable	911,896	764,826
Opening balance of impairment of VAT receivable	(764,826)	(533,478)
Increase in impairment of VAT receivable	(147,070)	(231,348)
Other receivable	47,044	23,640
	51,151	30,868

As at 31 December 2013 the Group had VAT receivable in Burkina Faso of \$911,896 (2012: \$764,826). The VAT is recoverable against generation of revenue for which the Group would be required to remit VAT. The Group determined that at this stage of exploration it was not yet probable that it would generate this revenue and the whole of the VAT receivable has been treated as

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

impaired. The increase in the impairment of VAT receivable of \$147,070 (2012: \$231,348) includes \$161,331 (2012: nil) caused by exchange differences on translation of foreign operations less a reduction in the amount receivable in the functional currency of the local operations of \$14,261 (2012: increase of \$231,348) that has been recognised as a gain/(expense) in profit or loss. No other receivables are past due nor impaired.

Due to the short term nature of the receivables, 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 risk management policy can be found at note 19.

**6. OTHER CURRENT ASSETS**

	<b>CONSOLIDATED</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Prepayments	10,713	9,023
Other current asset	7,800	17,217
	<u>18,513</u>	<u>26,240</u>

**7. PLANT AND EQUIPMENT**

	<b>CONSOLIDATED</b>				
	<b>Furniture &amp; Equipment</b>	<b>Establishme nt Expenses &amp; Deferred Charges</b>	<b>Patent, Licensing, Software</b>	<b>Motor Vehicle</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Year ended 31 December 2012</b>					
Opening net book value	115,702	144	30,843	159,641	306,330
Additions	14,691	-	-	51,770	66,461
Foreign Exchange	(704)	(4)	(361)	(1,656)	(2,725)
Depreciation charge for the year	(35,604)	(140)	(11,382)	(83,607)	(130,733)
Disposals	(152)	-	-	(24,587)	(24,739)
Closing net book value	<u>93,933</u>	<u>-</u>	<u>19,100</u>	<u>101,561</u>	<u>214,594</u>
<b>At 31 December 2012</b>					
Cost	159,039	143	35,198	256,252	450,632
Accumulated depreciation and impairment	(65,106)	(143)	(16,098)	(154,691)	(236,038)
Net book value	<u>93,933</u>	<u>-</u>	<u>19,100</u>	<u>101,561</u>	<u>214,594</u>
<b>Year ended 31 December 2013</b>					
Opening net book value	93,933	-	19,100	101,561	214,594
Additions	-	-	-	-	-
Foreign Exchange	9,041	-	2,529	11,212	22,782
Depreciation charge for the year	(22,327)	-	(12,394)	(31,089)	(65,810)
Disposals	(57,802)	-	-	(52,727)	(110,529)
Closing net book value	<u>22,845</u>	<u>-</u>	<u>9,235</u>	<u>28,957</u>	<u>61,037</u>
<b>At 31 December 2013</b>					
Cost	71,302	-	42,704	64,630	178,636
Accumulated depreciation and impairment	(48,457)	-	(33,469)	(35,673)	(117,599)
Net book value	<u>22,845</u>	<u>-</u>	<u>9,235</u>	<u>28,957</u>	<u>61,037</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**8. EXPLORATION AND EVALUATION EXPENDITURE**

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

	<b>CONSOLIDATED</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Carrying amount at beginning of year	-	-
Carrying amount of sold mineral exploration interests	-	-
Carrying amount at the end of year	-	-
Exploration and evaluation incurred	366,617	2,385,310
Exploration costs expensed	(366,617)	(2,385,310)
	-	-

**9. FINANCIAL ASSETS**

*(a) Current Financial Assets At Fair Value Through Profit and Loss*

Value of PXG shares held at beginning of year	1,260,000	-
8,000,000 Shares in Phoenix Gold Ltd (ASX Code: PXG) received in 2012 in consideration for sale of mineral exploration interests at a price of \$0.23 per share	-	1,840,000
(Loss)/ Gain in value of shares in PXG sold	(240,800)	462,892
Proceeds on sale shares in PXG	(1,019,200)	(1,382,892)
Gain in value of remaining shares held at year end	-	340,000
Value of PXG shares held at year end at quoted price on ASX	-	1,260,000
Total current financial assets at fair value	-	1,260,000

*(b) Non- Current Financial Assets*

Term deposit held as a security bond	50,000	50,000
Total non-current financial assets at fair value	50,000	50,000

All financial assets have been valued based on quoted (unadjusted) market values and are therefore Tier 1 measured financial assets. There have been no transfers to other measurement levels during the year and currently no other assets in any other categories.

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**

Trade payables – unsecured	14,270	4,394
Other payables and accruals – unsecured	20,300	31,243
Total trade and other payables	34,570	35,637

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**11. ISSUED CAPITAL**

	<b>CONSOLIDATED</b>			
	<b>2013</b>		<b>2012</b>	
	<b>No. of Shares</b>	<b>\$</b>	<b>No. of Shares</b>	<b>\$</b>
<i>(a) Ordinary shares fully paid</i>				
Balance at beginning of year	140,017,394	22,636,442	140,017,394	22,636,442
Issue of shares	-	-	-	-
Costs of capital raising	-	-	-	-
Balance at end of year	<u>140,017,394</u>	<u>22,636,442</u>	<u>140,017,394</u>	<u>22,636,442</u>

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.

<b>Date and details of grant/exercise/forfeited</b>	<b>CONSOLIDATED</b>	
	<b>No. of Options</b>	<b>Exercise Price</b>
Issued options opening balance	16,025,000	Various
Options granted in the period	-	Various
Options exercised	-	N/A
Options expired	<u>(7,600,000)</u>	Various
Balance at 31 December 2013	<u>8,425,000</u>	

Further details are disclosed in note 18.

**12. EARNINGS PER SHARE**

**(a) Basic earnings per share**

	<b>CONSOLIDATED</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Basic loss per share (cents per share)	(0.78)	(0.35)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	140,017,394	140,017,394
Net loss used in the calculation of basic earnings per share	(1,096,746)	(495,970)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**(b) Diluted earnings per share**

	<b>CONSOLIDATED</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Diluted earnings/(loss) per share (cents per share)	(0.78)	(0.35)
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted earnings per share	140,017,394	140,017,394
Net profit/(loss) used in the calculation of diluted earnings per share	(1,096,746)	(495,970)

Due to the Group being in a loss position, options are considered counter dilutive and therefore earnings per share are not diluted by unexercised options.

**13. AUDITORS' REMUNERATION**

Remuneration of Auditor of the Company:

Auditing or reviewing the group financial report BDO Audit (WA) Pty Ltd	23,715	30,383
Auditing or reviewing the group financial report Stantons International Audit and Consulting Pty Ltd	26,035	-
Auditing or reviewing the subsidiary financial report ACECA International SARL	2,090	1,891
	<u>51,840</u>	<u>32,274</u>

**14. SEGMENT REPORTING**

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 mineral exploration and evaluation in Australia along with head office and treasury functions, while the West African segment incorporates mineral exploration in Burkina Faso.

Transactions between the segments are recognised in the inter-entity loan account which is interest free, repayable on demand and denominated in Australian dollars. As the segment information is presented internally to the Board of Directors within consolidated financial reports, various inter-segment eliminations have been incorporated in this disclosure to be consistent with measures reported to the Board. Consequently there are no inter-segment reconciling items.

**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 Profit or Loss and Other Comprehensive Income.

Segment revenue reconciles to total revenue from continuing operations as shown in the below table:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

*(ii) Accounting Profit or Loss*

The Board of Directors assess the performance of the operating segments based on comparing exploration results against the working capital and other financial resources needed to achieve those results. Consequently, the relevant measure of profit or loss reported to the Board of Directors is the profit or loss calculated in accordance with current Australian accounting standards. The profit or loss calculated in accordance with current Australian accounting standards is the most appropriate measure as current Australian accounting standards fairly present relevant information. Interest income and expenditure of the parent entity are allocated to the Australian segment, and not left as a reconciling item, as interest revenue forms at least 25% of external revenue.

*(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.

*(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 and the location of the legal entity that incurred any legal liability.

<b>2013</b>	<b>Australia</b>	<b>West Africa</b>	<b>Reconciling items</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interest revenue	177,384	-	-	177,384
Other revenue	-	-	-	-
Total segment revenue	<u>177,384</u>	<u>-</u>	<u>-</u>	<u>177,384</u>
Inter-segment revenue	-	-	-	-
External revenue	<u>177,384</u>	<u>-</u>	<u>-</u>	<u>177,384</u>
Other income	-	13,190	-	13,190
Total expenses	<u>(893,561)</u>	<u>(393,759)</u>	<u>-</u>	<u>(1,287,320)</u>
Accounting profit / (loss)	<u>(716,177)</u>	<u>(380,569)</u>	<u>-</u>	<u>(1,096,746)</u>
Total expenses include				
Depreciation	(3,612)	(62,198)	-	(65,810)
Exploration and evaluation expenses	(20,794)	(345,823)	-	(366,617)
Share based payments	(16,382)	-	-	(16,382)
Total segment assets	5,399,259	89,596	-	5,488,855
Total segment liabilities	<u>(28,203)</u>	<u>(6,367)</u>	<u>-</u>	<u>(34,570)</u>
Segment net assets	<u>5,371,056</u>	<u>83,229</u>	<u>-</u>	<u>5,454,285</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**2012**

	Australia \$	West Africa \$	Reconciling items \$	Total \$
Interest revenue	240,211	-	-	240,211
Other revenue	1,281	-	-	1,281
Total segment revenue	<u>241,492</u>	<u>-</u>	<u>-</u>	<u>241,492</u>
Inter-segment revenue	-	-	-	-
External revenue	<u>241,492</u>	<u>-</u>	<u>-</u>	<u>241,492</u>
Other income	2,735,449	80,860	-	2,816,309
Total expenses	<u>(808,537)</u>	<u>(2,745,234)</u>	<u>-</u>	<u>(3,553,771)</u>
Accounting profit / (loss)	<u>2,168,404</u>	<u>(2,664,374)</u>	<u>-</u>	<u>(495,970)</u>
Total expenses include				
Depreciation	(3,619)	(127,114)	-	(130,733)
Exploration and evaluation expenses	44	(2,385,354)	-	(2,385,310)
Share based payments	(63,666)	-	-	(63,666)
Total segment assets	6,247,520	254,824	-	6,502,344
Total segment liabilities	<u>(40,802)</u>	<u>(5,541)</u>	<u>-</u>	<u>(46,343)</u>
Segment net assets	<u>6,206,718</u>	<u>249,283</u>	<u>-</u>	<u>6,456,001</u>

**15. RELATED PARTY TRANSACTIONS AND BALANCES**

Kingslane Pty Ltd and associated entities (Kingslane) is a substantial shareholder in the Company and held 12,728,749 ordinary shares in the Company at 31 December 2013. Entities controlled by Kingslane received \$36,000 during the year for office rent.

Konkera Corporate, a related party of Kingslane Pty Ltd, received \$75,000 during the year for administrative services. Kingslane and Konkera Corporate are related parties of non-executive director Evan Cranston.

A company related to Mr Grant Mooney, Mooney & Partners Pty Ltd, received \$52,000 during the year for company secretarial services.

All related party transactions are on normal arms' length terms.

**Controlled Entity**

	Country of Incorporation	Percentage Owned (%)	
		2013	2012
<b>Subsidiaries of Carbine Resources Limited:</b>			
Carbine Resources SARL	Burkina Faso	100	100

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**16. KEY MANAGEMENT PERSONNEL DISCLOSURES**

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

- Mr Tom Bahen (Non-Executive Director) (Appointed 20 May 2013)
- Mr Evan Cranston (Non-Executive Director)
- Mr Grant Mooney (Non-Executive Director)
- Dr Paul Kitto (Non-Executive Director) (Resigned 31 January 2013)
- Mr Peter Sheehan (Managing Director) (Resigned 20 May 2013)

**Remuneration by Category**

**Key Management Personnel**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Short-term	309,248	443,941
Post-employment	18,079	24,750
Share-based payment	-	219,000
	<u>327,327</u>	<u>687,691</u>

**Option holdings of Key Management Personnel**

**2013**

<b>Key Management Personnel</b>	<b>Balance at 1-Jan-13</b>	<b>Granted as Remuneration</b>	<b>Options Exercised</b>	<b>Other Changes</b>	<b>Balance at 31-Dec-13 or resignation</b>	<b>Total Vested 31-Dec-13</b>	<b>Total Exercisable 31-Dec-13</b>
Tom Bahen*	-	-	-	-	-	-	-
Evan Cranston	3,000,000	-	-	(2,000,000)	1,000,000	1,000,000	1,000,000
Paul Kitto**	3,000,000	-	-	(2,000,000)	1,000,000	1,000,000	1,000,000
Grant Mooney***	1,750,000	-	-	(750,000)	1,000,000	1,000,000	1,000,000
Peter Sheehan****	5,000,000	-	-	-	5,000,000	5,000,000	5,000,000
	<u>12,750,000</u>	<u>-</u>	<u>-</u>	<u>(4,750,000)</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>

**2012**

<b>Key Management Personnel</b>	<b>Balance at 1-Jan-12</b>	<b>Granted as Remuneration</b>	<b>Options Exercised</b>	<b>Other Changes</b>	<b>Balance at 31-Dec-12 or resignation</b>	<b>Total Vested 31-Dec-12</b>	<b>Total Exercisable 31-Dec-12</b>
Evan Cranston	2,000,000	1,000,000	-	-	3,000,000	3,000,000	3,000,000
Paul Kitto**	2,000,000	1,000,000	-	-	3,000,000	3,000,000	3,000,000
Aoife McGrath*****	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000
Grant Mooney***	750,000	1,000,000	-	-	1,750,000	1,750,000	1,750,000
Peter Sheehan****	-	5,000,000	-	-	5,000,000	5,000,000	5,000,000
	<u>6,750,000</u>	<u>8,000,000</u>	<u>-</u>	<u>-</u>	<u>14,750,000</u>	<u>14,750,000</u>	<u>14,750,000</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**Shareholdings of Key Management Personnel**

**2013**

<b>Key Management Personnel</b>	<b>Balance at 1-Jan-13 or appointment</b>	<b>Received as Remuneration</b>	<b>Options Exercised</b>	<b>Net Changes (other)</b>	<b>Balance at 31-Dec-13 or resignation</b>
Tom Bahen*	1,422,799	-	-	1,000,000	2,422,799
Evan Cranston	-	-	-	-	-
Paul Kitto**	3,200,000	-	-	-	3,200,000
Grant Mooney***	135,000	-	-	-	135,000
Peter Sheehan****	-	-	-	-	-
	<b>4,757,799</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>5,757,799</b>

**2012**

<b>Key Management Personnel</b>	<b>Balance at 1-Jan-12 or appointment</b>	<b>Received as Remuneration</b>	<b>Options Exercised</b>	<b>Net Changes (other)</b>	<b>Balance at 31-Dec-12 or resignation</b>
Evan Cranston	-	-	-	-	-
Paul Kitto**	3,200,000	-	-	-	3,200,000
Aoife McGrath*****	1,500,000	-	-	-	1,500,000
Grant Mooney***	135,000	-	-	-	135,000
Peter Sheehan****	-	-	-	-	-
	<b>4,835,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,835,000</b>

\*Appointed 20 May 2013

\*\*Resigned 31 January 2013

\*\*\* Appointed 18 January 2012

\*\*\*\*Appointed 22 February 2012 and resigned 20 May 2013

\*\*\*\*\*Resigned 18 January 2012

**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 with Key Management Personnel (other than those disclosed in Note 15).

A balance of \$4,000 in respect of company secretarial fees to Mooney & Partners Pty Ltd for the month of December 2013 was outstanding as at 31 December 2013.

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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

<b>Grant date</b>	<b>Date vested and exercisable</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Value per option at grant date</b>
25 Aug 2010	Vesting on issue	24-Aug-13	\$0.30	0.236
25 Aug 2010	Vesting on issue	24-Aug-13	\$0.40	0.222
28 Aug 2010	Vesting on issue	27-Aug-13	\$0.30	0.237
28 Aug 2010	Vesting on issue	27-Aug-13	\$0.40	0.223
3 Sept 2010	Vesting on issue	2-Sep-13	\$0.30	0.237
14 Sept 2010	Vesting on issue	13-Sep-13	\$0.40	0.224
7 Oct 2010 *	Vesting 12 months and 24 months from issue	6-Oct-13	\$0.45	0.220
4 April 2011	Vesting 12 months and 24 months from issue	1-Apr-14	\$0.38	0.242
4 April 2011	Vesting on issue	1-Apr-14	\$0.38	0.242
24-Jun-11 *	Vesting 12 months and 24 months from issue	23-Jun-14	\$0.16	0.099
31 May 2012	Vesting on issue	11 June 2015	\$0.075	\$0.034
31 May 2012	Vesting on issue	11 June 2015	\$0.10	\$0.030
31 May 2012	Vesting on issue	11 June 2015	\$0.115	\$0.028
31 May 2012	Vesting on issue	11 June 2015	\$0.20	\$0.21

\* These options were cancelled during 2012.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Granted during the year	Value at grant date	Exercised during the year	Expired during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	\$	Number	Number	Number	Number
<b>Consolidated and parent entity</b>									
25-Aug-10	24-Aug-13	\$0.30	2,000,000	-	472,914	-	2,000,000	-	-
25-Aug-10	24-Aug-13	\$0.40	2,000,000	-	444,940	-	2,000,000	-	-
28-Aug-10	27-Aug-13	\$0.30	1,000,000	-	236,662	-	1,000,000	-	-
28-Aug-10	27-Aug-13	\$0.40	1,000,000	-	222,706	-	1,000,000	-	-
3-Sep-10	2-Sep-13	\$0.30	850,000	-	225,216	-	850,000	-	-
14-Sep-10	13-Sep-13	\$0.40	750,000	-	168,023	-	750,000	-	-
4-Apr-11	1-Apr-14	\$0.38	350,000	-	84,904	-	-	350,000	350,000
4-Apr-11	1-Apr-14	\$0.38	75,000	-	18,194	-	-	75,000	75,000
31-May-12	11-Jun-15	\$0.075	2,000,000	-	68,000	-	-	2,000,000	2,000,000
31-May-12	11-Jun-15	\$0.10	2,000,000	-	60,000	-	-	2,000,000	2,000,000
31-May-12	11-Jun-15	\$0.115	1,000,000	-	28,000	-	-	1,000,000	1,000,000
31-May-12	11-Jun-15	\$0.20	3,000,000	-	63,000	-	-	3,000,000	3,000,000
			16,025,000	-	2,092,599	-	7,600,000*	8,425,000	8,425,000
Weighted average exercise price			0.24				0.35	0.15	0.15

No options were forfeited during the year..

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.38 years (2012: 1.56 years).

The assessed fair values at grant date of options granted on 31 May 2012 was as detailed above. The fair values at grant date were independently determined using a Black-Scholes option pricing model. The volatility rate was 95% and the risk free interest rate was 2.14%. The share price at grant date was 6.0 cents per share. The options had a total value of \$219,000.

The total value of options granted and vesting immediately during the year ended 31 December 2013 was nil (2012: \$219,000). In addition, an amount of \$16,382 (2012: \$126,402) was expensed over the vesting period for options granted in previous years.

### (b) Employee Shares Plan

There were no shares issued during the 2013 financial year as part of an employee share scheme (2012: nil).

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

	<b>CONSOLIDATED</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(1,096,746)	(495,970)
Add:		
- Depreciation	65,810	130,733
- Share based payments	16,382	63,666
- Loss/(profit) on sale of assets	240,800	(2,757,073)
Changes in assets and liabilities during the year:		
Decrease in prepayments	7,727	11,983
(Increase)/decrease in receivables	(20,283)	87,199
(Decrease) in payables and provisions	(11,773)	(1,026,426)
Foreign exchange differences	44,902	3,079
Net cash used in operations	<u>(753,181)</u>	<u>(3,982,809)</u>

## 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, credit risk and equity market risk. The Board of Directors reviews and agrees policies for managing each of these risks as summarised below.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**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.

	<b>CONSOLIDATED</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	5,308,154	4,920,642

**Financial Asset**

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

Cash and cash equivalents	5,308,154	4,920,642
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**Other Current Financial Assets**

Trade and other receivables	51,151	30,868
Financial assets at fair value	-	1,260,000
	<u>51,151</u>	<u>1,290,868</u>

**Non-Current Financial Assets**

Financial assets at fair value	<u>50,000</u>	<u>50,000</u>
	50,000	50,000

**Financial Liabilities**

Trade and other payables	<u>34,570</u>	<u>35,637</u>
	34,570	35,637

**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 a 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. At 31 December 2013, \$50,000 of this facility was available for use.

**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'.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics, except that as at 31 December 2013 the Group had VAT receivable in Burkina Faso of \$911,896 (2012: \$764,826). The VAT is recoverable against generation of revenue for which the Group would be required to remit VAT. The Group determined that at this stage of exploration it was not yet probable that it would generate this revenue and the whole of the VAT receivable has been treated as impaired. As detailed in note 5, in 2013 there has been a net increase in the impairment by \$147,070. This is due to a reversal of previously recognised impairment of VAT receivable of (\$14,261), owing to a reduction in the amount receivable in the functional currency of Burkina Faso, and a foreign exchange movement of \$161,331 for the amount receivable.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the economic entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

### Interest Rate Risk

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

2013	Weighted Average Interest Rate %	Floating Interest Rate \$	Fixed Interest Maturing in 1 Year or Less \$	Non-Interest Bearing \$	Total \$
<b>Financial Assets</b>					
Cash and cash equivalents	3.77	288,857	5,000,000	19,297	5,308,154
Receivables	-	-	-	51,151	51,151
Non current financial assets at fair value	3.75	-	50,000	-	50,000
<b>Financial Liabilities</b>					
Payables	-	-	-	(34,570)	(34,570)
<b>Net Financial Assets</b>	<b>3.77</b>	<b>288,857</b>	<b>5,050,000</b>	<b>35,878</b>	<b>5,374,735</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

2012	Weighted Average Interest Rate %	Floating Interest Rate \$	Fixed Interest Maturing in 1 Year or Less \$	Non-Interest Bearing \$	Total \$
<b>Financial Assets</b>					
Cash and cash equivalents	3.48	4,900,216	-	20,426	4,920,642
Receivables	-	-	-	30,868	30,868
Current financial assets at fair value	-	-	-	1,260,000	1,260,000
Non current financial assets at fair value	4.55	-	50,000	-	50,000
<b>Financial Liabilities</b>					
Payables	-	-	-	(35,637)	(35,637)
<b>Net Financial Assets</b>	<b>3.49</b>	<b>4,900,216</b>	<b>50,000</b>	<b>1,275,657</b>	<b>6,225,873</b>

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

2013	Carrying Amount \$	-1% Profit \$	Equity \$	1% Profit \$	Equity \$
Cash and cash equivalents	5,308,154	(53,082)	(53,082)	53,082	53,082
Trade receivables	51,151	-	-	-	-
Current financial assets at fair value	-	-	-	-	-
Non-current financial assets at fair value	50,000	(500)	(500)	500	500
Trade payables	(34,570)	-	-	-	-
Total increase/(decrease)	5,374,735	(53,582)	(53,582)	53,582	53,582

2012	Carrying Amount \$	-1% Profit \$	Equity \$	1% Profit \$	Equity \$
Cash and cash equivalents	4,920,642	(49,206)	(49,206)	49,206	49,206
Trade receivables	30,868	-	-	-	-
Current financial assets at fair value	1,260,000	-	-	-	-
Non-current financial assets at fair value	50,000	(500)	(500)	500	500
Trade payables	(35,637)	-	-	-	-
Total increase/(decrease)	6,225,873	(49,706)	(49,706)	49,706	49,706

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**Price Risk**

There were no equity securities held at 31 December 2013.

The Group was exposed to equity securities price risk due to 4,000,000 publicly traded shares in ASX listed Phoenix Gold Ltd (PXG) held at 31 December 2012 that were sold during 2013. These shares held by the Group are classified in the Statement of Financial Position at fair value through profit or loss. At 31 December 2012, 4,000,000 shares in PXG were held with the last sale on the ASX to 31 December 2012 at a share price of \$0.315 per share for a total value of \$1,260,000. These shares were sold for \$1,019,200 during 2013 creating a loss on disposal for 2013 of \$240,800.

The Group is not exposed to commodity price risk.

The below table summarises the impact of potential increases/decreases in the share price of PXG on the Group's loss for 2012 and on equity. The analysis is based on the assumption that the share price of PXG had increased or decreased by 10%, with all other variables held constant.

2012	Carrying Amount	-10%		10%	
		Profit	Equity	Profit	Equity
	\$	\$	\$	\$	\$
<i>Current Financial Assets At Fair Value Through Profit and Loss</i>	1,260,000	(126,000)	(126,000)	126,000	126,000
Total increase/(decrease)	1,260,000	(126,000)	(126,000)	126,000	126,000

**Fair value of financial instruments**

The following tables detail the consolidated entity's fair values of financial instruments categorised by the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

<b>Consolidated - 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<i>Assets</i>				
Ordinary shares	-	-	-	-
Total assets	-	-	-	-
<b>Consolidated - 2012</b>				
<i>Assets</i>				
Ordinary shares	1,260,000	-	-	1,260,000
Total assets	1,260,000	-	-	1,260,000

There were no transfers between levels during 2013 or 2012.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**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 unrecognised financial instruments.

**Foreign exchange risk**

Although the Group operates internationally, all material financial assets are denominated in the respective entity's functional currency. The functional currency of Carbine Resources SARL is West African CFA Francs (CFA). Therefore the Group's 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 United States Dollar (USD) denominated financial assets and financial liabilities and CFA denominated financial assets and financial liabilities. There were minimal foreign currency balances held at year end, in comparison with balances held during the year, due to the timing of exploration programs.

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

	31 December 2013		31 December 2012	
	USD	CFA	USD	CFA
	\$	\$	\$	\$
Cash and cash equivalents	-	19,297	-	24,391
Trade receivables	-	3,996	-	12,961
Trade payables	-	(6,337)	-	(5,541)
<b>Total</b>	<b>-</b>	<b>16,956</b>	<b>-</b>	<b>31,811</b>

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 \$1,696 (2012: \$3,181) higher or lower.

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**20. RESERVES**

(a) Share-Based Payment Reserve

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

	<b>CONSOLIDATED</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Movements</b>		
Opening balance	2,341,346	2,277,680
Reversal of options cancelled before vesting	-	(281,736)
Amount expensed over vesting period for options granted in prior year	16,382	126,402
Shares issued to Directors and Employees	-	219,000
Closing balance	2,357,728	2,341,346

(b) Foreign Currency Translation

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

<b>Movements</b>		
Opening balance	167,481	166,817
Foreign currency translation	78,648	664
Closing balance	246,129	167,481

**21. COMMITMENTS AND CONTINGENCIES**

**Operating Lease Commitments**

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

<b>Operating Lease Commitments</b>		
Due within 1 year	18,000	18,000
Due greater than 1 year and less than 5	-	-
Total	18,000	18,000

The administrative services agreement contracted for but not capitalised in the financial statements:

<b>Administrative Services Commitments</b>		
Due within 1 year	75,000	75,000
Due greater than 1 year and less than 5	-	-
Total	75,000	75,000

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### Exploration Commitments

The outstanding exploration commitment in relation to the Joint Venture Agreement with Ampella Mining Limited has been extinguished as the minimum expenditure commitment over the life of the tenements has already been exceeded.

### 22. SUBSEQUENT EVENTS

There were no events subsequent to the end of the financial period ended 31 December 2013 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 2013. The information presented here has been prepared using consistent accounting policies as discussed in Note 1.

	<b>PARENT</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Current assets	5,346,725	6,191,374
Non-current assets	52,534	56,146
<b>Total assets</b>	<b>5,399,259</b>	<b>6,247,520</b>
Current liabilities	28,203	40,801
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>28,203</b>	<b>40,801</b>
Contributed equity	22,636,442	22,636,442
Accumulated losses	(19,623,114)	(18,771,069)
Share based payment reserve	2,357,728	2,341,346
<b>Total equity</b>	<b>5,371,056</b>	<b>6,206,719</b>
Loss for the year	(852,045)	(1,223,987)
Other comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<b>(852,045)</b>	<b>(1,223,987)</b>

### Guarantees

There are no guarantees entered into by the parent entity in the financial year ended 31 December 2013 in relation to the debt of a subsidiary.

### Contingent liabilities

There are no contingent liabilities of the Company or the Group.

### Contractual commitments

At 31 December 2013, Carbine Resources Limited had not entered into any contractual commitments other than as detailed in note 21.

## DIRECTORS' DECLARATION

The Directors of Carbine Resources Ltd declare that:

1. The financial statements comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated 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 2013 and of the performance for the year ended on that date of the Group.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
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 as required by section 295A.

Signed in accordance with a resolution of the Directors:



**Mr Evan Cranston**  
Non-Executive Director

Dated at Perth this 26<sup>th</sup> day of March, 2014

## AUDITOR'S INDEPENDENCE DECLARATION

Stantons International Audit and Consulting Pty Ltd  
trading as

**Stantons International**

Chartered Accountants and Consultants

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West Perth WA 6872  
Australia

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Australia

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ABN: 84 144 581 519  
www.stantons.com.au

26 March 2014

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

Dear Sirs

**RE: CARBINE RESOURCES LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Carbine Resources Limited.

As Audit Director for the audit of the financial statements of Carbine Resources Limited for the year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED**  
(Trading as Stantons International)



**Samir Tirodkar**  
Director

Liability limited by a scheme approved  
under Professional Standards Legislation

Member of Russell Bedford International



# INDEPENDENT AUDITOR'S REPORT

Stantons International Audit and Consulting Pty Ltd  
trading as

**Stantons International**  
Chartered Accountants and Consultants

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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 2013, the consolidated statement of profit or loss and other 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 company and the entity 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 Company 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian 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 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 company'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 company'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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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*.

Liability limited by a scheme approved  
under Professional Standards Legislation

Member of Russell Bedford International



*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 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the consolidated 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 7 to 11 of the directors' report for the year ended 31 December 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

*Stantons International Audit and Consulting Pty Ltd*  


**Samir Tirodkar**  
Director

West Perth, Western Australia  
26 March 2014

## CORPORATE GOVERNANCE

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.

## 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>
Mr Evan Cranston	Non-Executive Director	Appointed 23 March 2010
Dr Paul Kitto	Non-Executive Director	Resigned 31 January 2013
Mr Grant Mooney	Non-Executive Director	Appointed 18 January 2012
Mr Peter Sheehan	Managing Director	Resigned 20 May 2013
Mr Thomas Bahen	Non-Executive Director	Appointed 20 May 2013
Mr Patrick Walta	Executive Director	Appointed 3 April 2014

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.

Since the departure of Peter Sheehan on 20 May 2013, the Company has not appointed a Managing Director as it was considered that the Company was not at an operational level sufficient to justify such an appointment and that the Board could adequately oversee the functions of Management.

The Company has not appointed a chairman as it is considered that the 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 (if appointed), 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.

Carbine's 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 Carbine's 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 (if appointed), 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's 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.

### **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.

## **Risk Evaluation and Control**

The operating team 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.

### **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 activities 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 the 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 Evan Cranston (Non-Executive Director) and Grant Mooney (Non-Executive Director). Evan Cranston is Chairman of the Remuneration Committee and Grant Mooney is Secretary 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.

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 Non-Executive Directors fees are determined by the Company in general meeting and other consulting services are remunerated at levels independently agreed by the Remuneration Committee.

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 Committee comprises Evan Cranston (Non-Executive Director) and Grant Mooney (Non-Executive Director).

### ***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. All 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.

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 2013.

### **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 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.

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 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.

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
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 two 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>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>

Principle No	Best Practice Principle	Commentary	Mechanism for Dealing with Non-Compliance
		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 evaluation of Executive and Non-Executive Directors.	
3.1	Promote Ethical and Responsible Decision Making	The Company should adopt a code of Conduct.  The Company complies with this Principle.	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		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.	The Company complies with this recommendation. The Board has formally adopted a Diversity Policy which is disclosed on the Company's website.
3.3		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.	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 has not yet set measurable objectives for achieving diversity. The Board continues to monitor diversity across the organisation and is satisfied with the current level of gender diversity within the Company. Due to the size of the Company, the Board does not consider it appropriate at this time to formally set objectives for gender diversity.
3.4		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.	During the period the Company employed (including on a consulting basis) 35 staff - 5 females and 30 males.  The Company complies with this recommendation. The Company has 4 directors, all of whom are male. During the period the Company employed (including on a consulting basis) 35 staff - 5 females and 30 males.
4	Safeguard Integrity in Financial Reporting	The Company complies with this Principle. An Audit Committee has been established comprising two independent directors.	Not applicable.

Principle No	Best Practice Principle	Commentary	Mechanism for Dealing with Non-Compliance
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 24 April 2014.

#### Distribution of Fully Paid Ordinary Shares

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

Spread of Holders	Number of Holders	Number of Shares	% of Issued Shares
1 – 1,000	31	5,017	0.00
1,001 – 5,000	82	270,780	0.19
5,001 – 10,000	91	803,311	0.57
10,001 – 100,000	416	16,749,642	11.96
100,001 and over	177	122,188,644	87.27
<b>Total</b>	<b>797</b>	<b>140,017,394</b>	<b>100.00</b>
Number of shareholders holding less than a marketable parcel	309	2,253,834	1.61

#### Twenty largest holders

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

	Shareholder	Number Held	% of Issued Shares
1	Kingslane Pty Ltd <Cranston Super Fund A/C>	12,728,749	9.09
2	Blu Bone Pty Ltd	6,035,716	4.31
3	Bahen Mark John & M P <Super Account>	5,982,862	4.27
4	Merrill Lynch Aust Nom PL	4,336,762	3.10
5	Ablett Pty Ltd <David Edwards Fam>	4,250,000	3.04
6	Melville A G & E S <Melville Fam Super>	4,000,000	2.86
7	Yule Kathryn	4,000,000	2.86
8	JP Morgan Nom Aust Ltd <Cash Income A/C>	3,469,932	2.48
9	Phantom WA Pty Ltd <Kirkham Fam A/C>	3,250,000	2.32
10	Precambrian Pty Ltd	3,200,000	2.29
11	Nebraska Pty Ltd <R G Sayers Fam A/C>	3,000,000	2.14
12	Kobia Hldgs Pty Ltd	2,422,799	1.73
13	Wise Daniel Paul <Ark Inv A/C>	2,359,452	1.69
14	Phipps David Owen & P M <Phipps S/F A/C>	2,125,000	1.52
15	Kingarthy Pty Ltd	1,950,000	1.39
16	Vincent David G & G A	1,750,000	1.25
17	Scintilla Strategic Inv L	1,650,000	1.18
18	Marford Grp Pty Ltd	1,636,200	1.17
19	Thompson Ian & Peter R <Thompson Fam S/F A>	1,631,608	1.17
20	Paso Holdings PL	1,623,117	1.16
	<b>Total</b>	<b>71,402,197</b>	<b>51.02</b>

## Quoted Securities

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

## Substantial Shareholders

Shareholder	Number of fully paid ordinary shares held	% of capital
1 Kingslane Pty Ltd <Cranston Super Fund A/C>	12,728,749	9.09

## 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 every fully paid ordinary share.

## Holders of Unquoted Securities

Holder	Exercise Price	Expiry Date	No. Options
Peter Sheehan	7.5 cents	11 June 2015	2,000,000
Peter Sheehan	10 cents	11 June 2015	2,000,000
Peter Sheehan	11.5 cents	11 June 2015	1,000,000
PA Kitto & RE Shepherd <Kitto & Shepherd Super Fund>	20 cents	11 June 2015	1,000,000
Evan Cranston	20 cents	11 June 2015	1,000,000
Ocean Flyers Pty Ltd <S & G Mooney Super Fund A/C>	20 cents	11 June 2015	1,000,000

## Company Secretary

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

## Registered Office

Suite 23, 513 Hay Street, WA 6008

Telephone: (08) 6142 0986

Facsimile: (08) 9388 8824

## Schedule of Mining Tenements at 31 December 2013

Burkina Faso Permit	Licence Number	Interest
Nongodoum	11-213	100% Carbine
Magel	11-214	100% Carbine
Madougou	09-156	Option to Acquire 80%
Kandy	10-100	Option to Acquire 80%
Madougou 2	11-052	Option to Acquire 100%
Ingara	Application	100% Carbine
Siliga	Application	Option to Acquire 100%

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