

A young boy with a bright smile is looking through a circular opening in a thick, textured mud wall. The scene is warmly lit, with the boy's face and hands visible against the dark interior of the structure. The wall has a rough, natural appearance.

**ANNUAL  
REPORT**

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**2010**



**CARBINE RESOURCES  
LIMITED**

ABN 81 122 976 818

*Geochemical drilling on Madougou Permit*



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# CORPORATE DIRECTORY

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## Directors

Ms Aoife McGrath (Executive Director – Exploration)  
Dr Paul Kitto (Non-Executive Director)  
Mr Evan Cranston (Non-Executive Director)  
Mr Ronald Sayers (Non-Executive Director)

## Company Secretary

Mr Grant Mooney

## Principal & Registered Office

Suite 23, 513 Hay Street  
Subiaco, WA 6005  
Telephone: (08) 6142 0986  
Facsimile: (08) 9388 8824  
Email: [carbine@carbineresources.com.au](mailto:carbine@carbineresources.com.au)

## Share Registry

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153  
Telephone: (08) 9315 2333  
Facsimile: (08) 9315 2233

## Auditor

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

## Legal Advisers

Hardy Bowen  
Level 1, 28 Ord Street  
West Perth WA 6005  
Telephone: (08) 9211 3600  
Facsimile: (08) 9211 3690

## ASX Codes

CRB  
CRBO (15c expiring 31 July 2011)



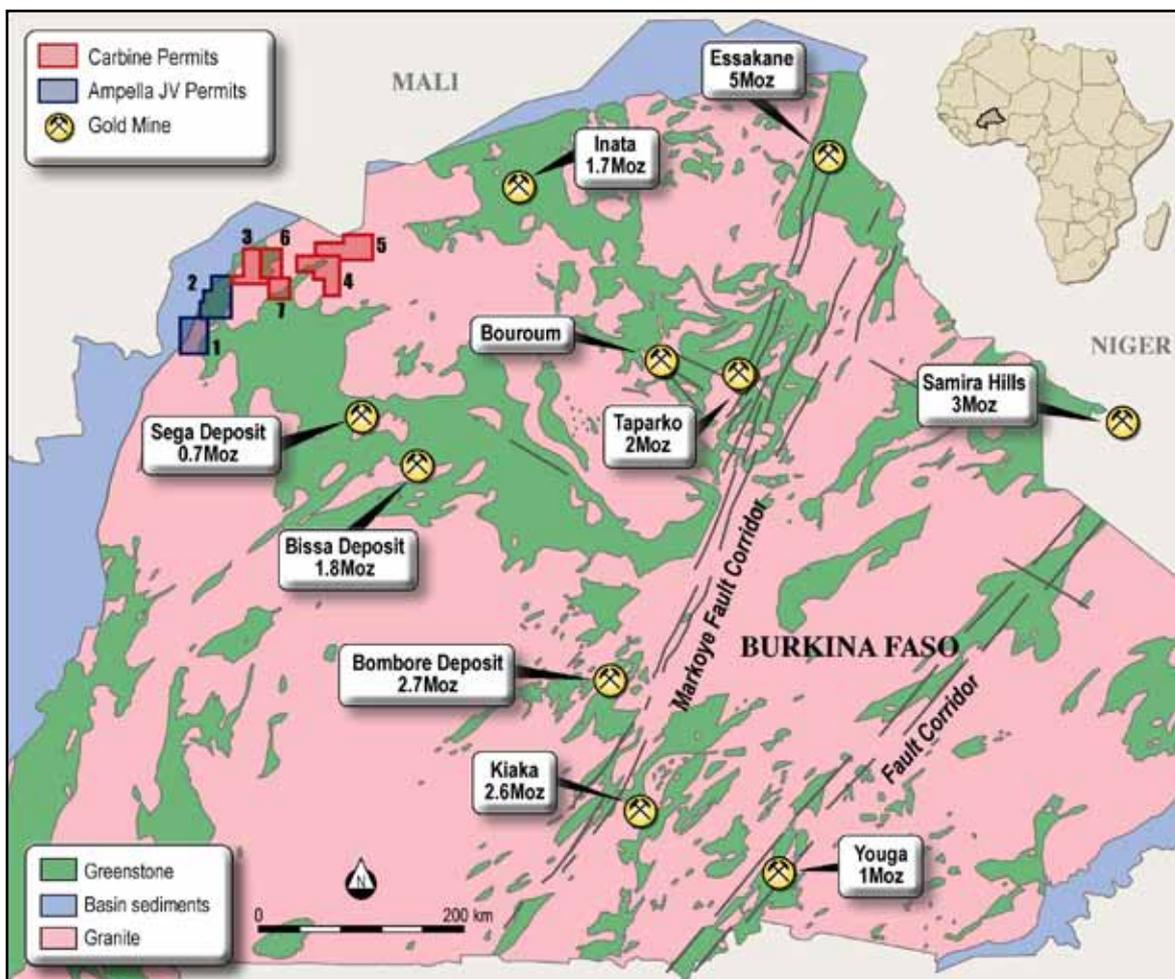


# REVIEW OF OPERATIONS

Following successful Joint Venture negotiations with Ampella Mining Limited ("Ampella") regarding their Madougou Project in Burkina Faso, Carbine's exploration focus changed to northwest Burkina Faso. Operations on the ground in Burkina Faso commenced in April 2010 and gathered pace since the end of the wet season in October.

## MADUGOU PROJECT

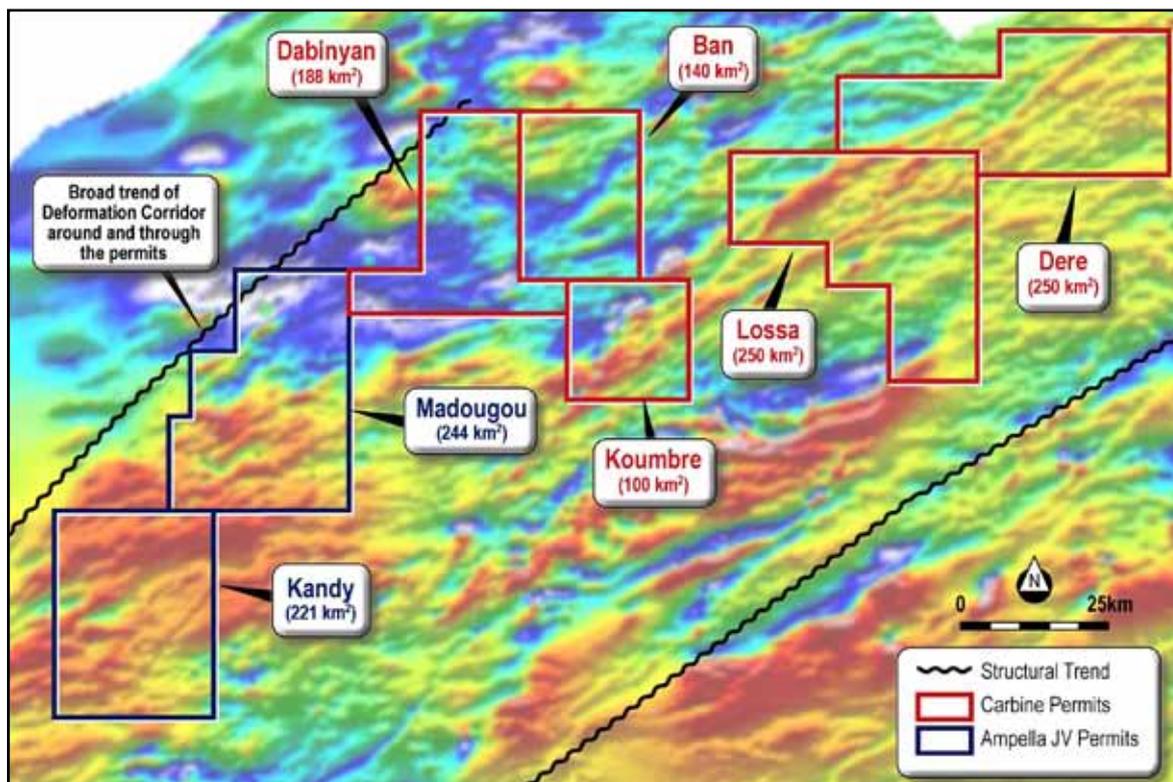
Permits covered by the Joint Venture Agreement with Ampella comprise the Madougou and Kandy Permits, for a total of 465 square kilometres (Figures 1 and 2) whereby Carbine can earn up to 80% by sole funding a pre-feasibility study within 7 years. Since April 2010 Carbine has successfully negotiated Option Agreements on a further five Permits in the area; the Dabinyan 1, Lossa, Dere, Ban and Koumbre Permits (Figures 1 and 2).



**Figure 1:** Diagram showing the location of the Madougou Project and individual Permits in Burkina Faso. Key to Permits: 1 = Kandy Permit, 2 = Madougou Permit, 3 = Dabinyan II Permit, 4 = Lossa Permit, 5 = Dere Permit, 6 = Ban Permit, 7 = Koumbre Permit.

# REVIEW OF OPERATIONS

Pursuant to these option agreements, Carbine can earn up to 100% interest in each of these Permits from local vendors. The total land holding has increased from 465 square kilometres to 1373 square kilometres. All Permits are located over Birimian Greenstone and the Ouahigouya Deformation Corridor, a broad belt of northeast trending deformation through this area.



**Figure 2:** Diagram showing the locations of individual Permits within the Madougou Project in Burkina Faso. The Madougou and Kandy Permits form part of the earn-in agreement with Ampella. The remaining five Permits are being acquired for Carbine Resources only. Options to acquire each of them being signed in September and October 2010.

*Dagbenan workings on Madougou Permit*



# REVIEW OF OPERATIONS

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

In May 2010 Carbine announced a \$3.4 million exploration programme for the Madougou Project for the remainder of 2010. Field programmes commenced in May, with reconnaissance mapping and sampling, high-resolution airborne geophysics and a 3857 metre scout RC program all completed before commencement of the wet season in late July.

Over 5300 line kilometres of high-resolution aeromagnetics and radiometrics were undertaken over the Madougou and Kandy Permits. Survey lines were 100 metres apart with mean terrain clearance of 30 metres. Given the depth of transported lateritic cover these surveys are a critical step in 'seeing through' this cover, tightly defining the structural framework beneath and assisting with targeting areas most prospective for gold mineralisation.

Post wet-season exploration commenced in late October with two augers and one air core rig commencing an 80,000 metre deep geochemical program over the Madougou and Kandy Permits. The purpose of this program is a second step in 'seeing through' the deep lateritic cover. Drilling is performed through the transported cover (that is averaging 10 metres thick) and a 1 metre long geochemical sample is taken in the upper saprolite (very weathered, in-situ rock beneath). This survey is proving invaluable in further defining those areas with potential for economic gold deposits. Initial geochemical grid spacing was 400 metres by 100 metres with infill grids on patterns down to 100 metres by 25 metres depending on the individual prospect.

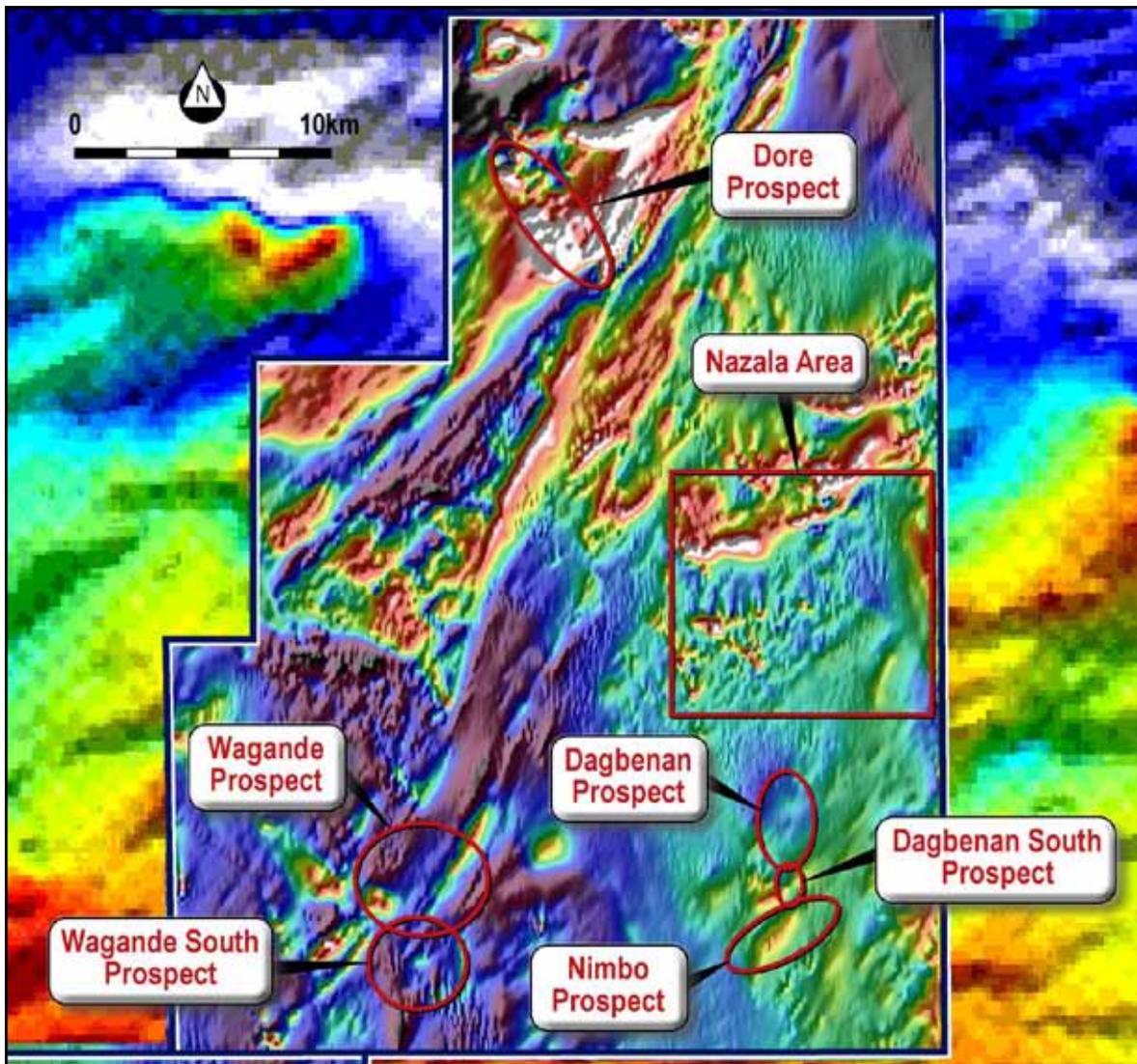
To date, 9.5 kilometres of gold geochemical anomalies have been outlined over six Prospects; the Dagbenan, Dagbenan South, Nimbo, Nazala, Wagande and Wagande South Prospects (Figure 3).

## Dore Prospect

A 2448 metre scout RC program was undertaken over the Dore Prospect in June 2010. Seventeen holes were drilled to test the geological and mineralization model. The best intersection received was:

- DORC034 – 56m at 1.6g/t gold from 94m (ended in mineralisation)

# REVIEW OF OPERATIONS



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

Since completion of this drilling, a larger program of re-mapping, re-logging and re-modelling has been carried out at Dore. This included a spectral alteration study to help characterise the nature of the mineralisation and to use as an on-going exploration tool. This program is now complete and deep geochemical programs have been designed. These are expected to commence in late April 2011.

# REVIEW OF OPERATIONS

## Dagbenan, Dagbenan South and Nimbo Prospects

As part of the 3857 metre scout RC drill program undertaken in June 2010, 828 metres were drilled over the Nimbo Prospect. Six holes were designed to test quartz veining and a pyrite, sericite and chlorite altered shear zone. Best intersections received were:

- NBRC008 – 4m at 9.6g/t gold from 33m and 3m at 1.5g/t from 88m
- NBRC010 – 8m at 1.3g/t gold from 87m
- NBRC012 – 3m at 1.8g/t gold from 82m and 7m at 0.6g/t from 92m
- NBRC013 – 3m at 2.4g/t gold from 87m

As part of the systematic deep geochemistry surveys underway since October 2010, initial and follow-up grids have been completed over these Prospects with results outlining an almost continuous 4.5 kilometre long, high tenor anomaly of greater than 25ppb gold. Highest values within the anomaly are 1516ppb (1.52g/t) gold (Figure 4).

In January 2011, 11 deeper aircore holes designed to test gold anomalism through the entire weathering profile were completed over four sections at Dagbenan. Drill sections were spaced 400 metres apart with holes at 100 metres intervals along the section. Best results were from the two northern-most section of the Dagbenan Prospect with results in this area yielding:

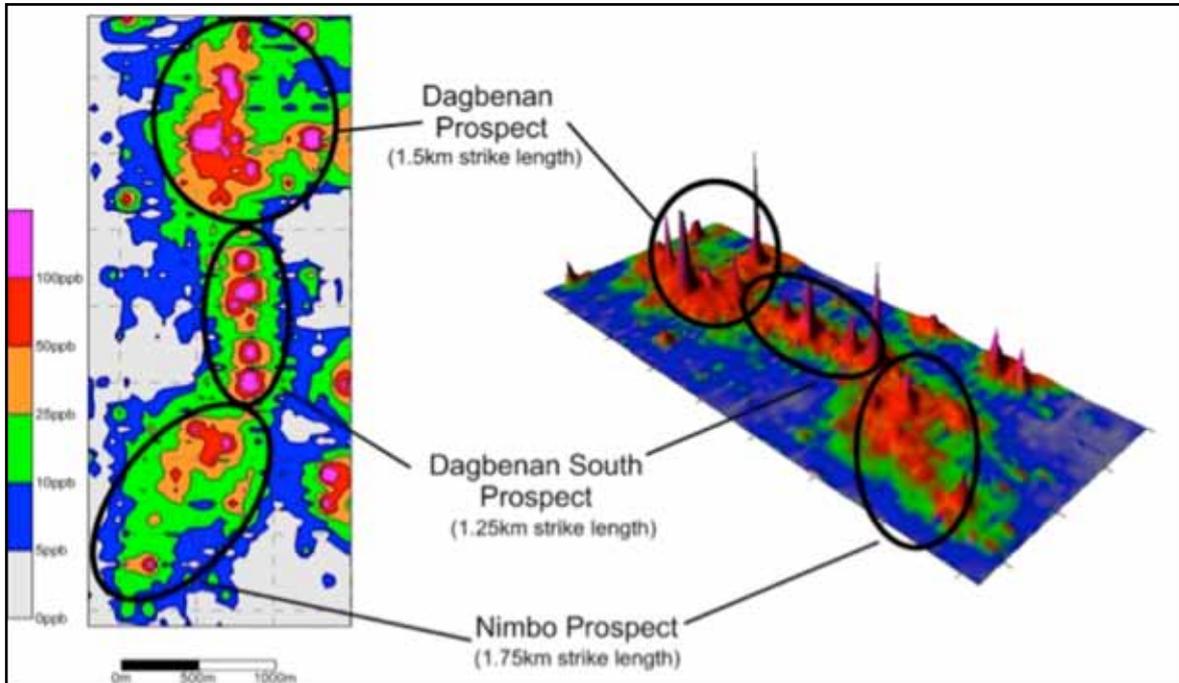
- DGAC001: 1m at 10.6g/t gold
- DGAC002: 10m at 4.2g/t gold (including 4m at 10.7g/t gold)
- DGAC003: 3m at 1.2g/t gold and 2m at 1.1g/t gold
- DGAC004: 3m at 3.3g/t gold

These results gave more information about gold dispersion through the weathering profile over the Dagbenan Prospect and indicate very strong gold anomalism associated with quartz veining.

58 grab samples were also taken over the Dagbenan Prospect with 14 yielding results of over 1g/t gold. Highest recorded values were 12.7g/t gold, 11.6g/t gold and 8.0g/t gold and were obtained from quartz rock chips.

First pass aircore drill programs have commenced over these three Prospects.

# REVIEW OF OPERATIONS



**Figure 4:** 2D and 3D contoured gold geochemical anomalies over the Dagbenan, Dagbenan South and Nimbo Prospects.



*Artisanal miners dry blowing at the Dore Prospect*



*Aoife McGrath studying rock samples at Orpillage site*

# REVIEW OF OPERATIONS

## Nazala Prospect

As part of the 3857 metre scout RC drill program undertaken in June 2010, six holes for 581 metres were drilled over one section of the Nazala Area. Holes were designed to test gold mineralization related to quartz veining and lithological contacts. Best intersections received were:

- NZRC001 – 5m at 1.7g/t gold from 7m
- NZRC002 – 1m at 3.8g/t gold from 3m
- NZRC004 – 7m at 1.8g/t gold from 8m
- NZRC005 – 2m at 2.6g/t gold from 50m

The systematic deep geochemistry surveys have outlined the strike extension to this prospect with initial and follow-up grids giving results that show two very high tenor anomalies covering 3.6 square kilometres and a combined strike length of 3.8 kilometres. Over 25% of samples in these anomalies fall into the anomalous category with highest values of 6025ppb (6.03g/t) gold (Figure 5).

Nineteen grab samples have been taken over the Nazala Area with 15 reporting grades in excess of 0.5g/t, 14 samples showing values higher than 1.5g/t and 5 samples giving values of over 10g/t gold. Highest values were 16.9g/t gold.

Follow-up deeper aircore programs have been planned for this area and are expected to be completed in the June quarter 2011. Reverse Circulation programs will be designed as further follow-up as appropriate.

## Wagande and Wagande South Prospects

Gold geochemical anomalies totalling 1.2 kilometres combined strike length have also been outlined over the Wagande and Wagande South Prospects. The > 19ppb anomalies are separated by a minor drainage channel that sits between the Prospects (Figure 6). A deeper aircore drill program is being designed over these two Prospects. This program has been planned for completion early in the June quarter 2011.

Twenty six grab samples of quartz vein and quartz stockwork material were taken over the Wagande and Wagande South Prospects. Eight samples yielded results of over 0.5g/t gold, six graded higher than 1g/t gold and two gave results in excess of 11g/t gold. Highest values obtained were 11.9g/t and 14.1g/t gold.

## BAN AND KOUMBRE PERMITS (CARBINE EARNING UP TO 100%)

The Permits were optioned in October 2010 and reconnaissance mapping and sampling undertaken in October – November. High resolution aeromagnetics and radiometrics were flown over both Permits in February 2011 and once again survey lines were 100 metres apart with a mean terrain clearance of 30 metres. Final images were received in mid-April 2011. Interpretation of these images is underway and follow-up geochemical programs will be designed for commencement during the last quarter of 2011 (after the wet season) .

## LOSSA, DERE AND DABINYAN I PERMITS (CARBINE EARNING UP TO 100%)

The Permits were acquired subject to option agreements in September 2010 and since that time reconnaissance mapping and sampling has been undertaken. Further mapping and sampling are planned for the September 2011 quarter with follow-up programs designed as appropriate.

# REVIEW OF OPERATIONS

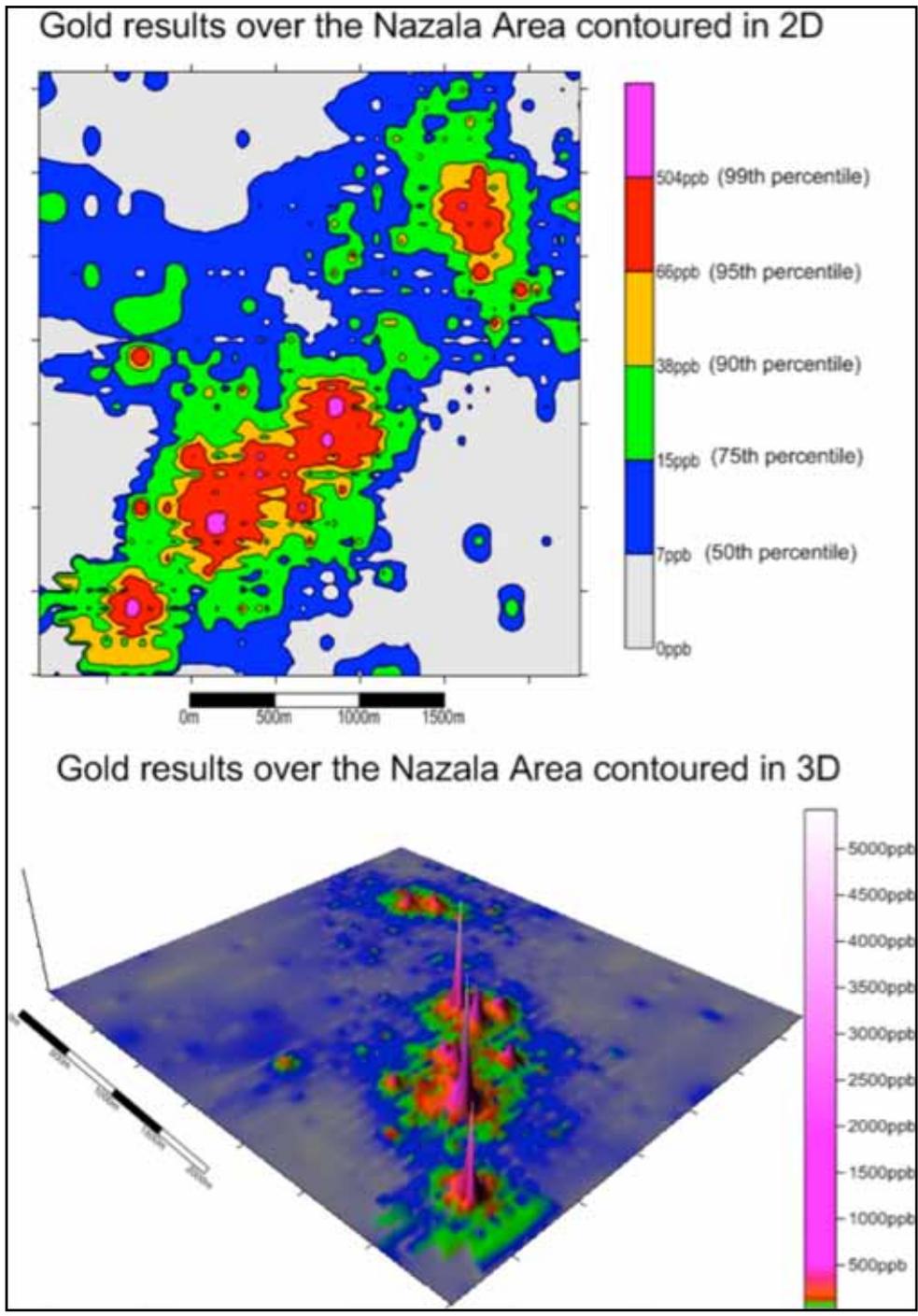
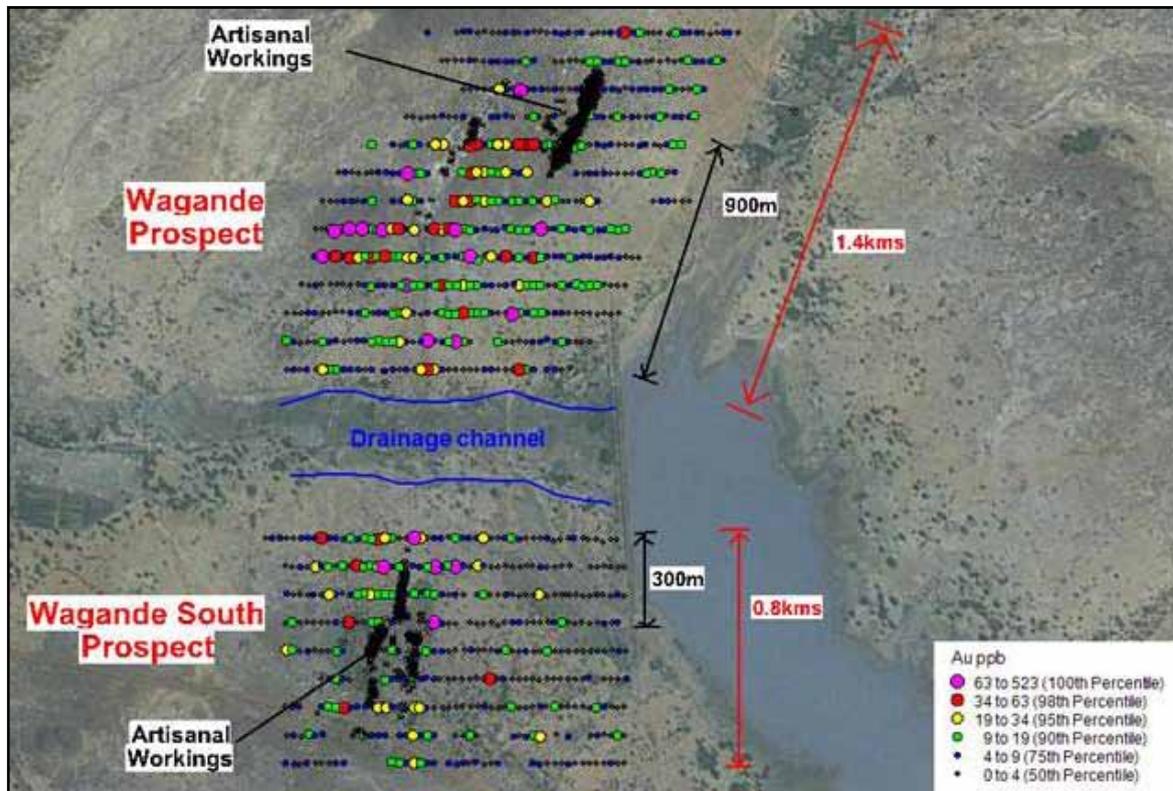


Figure 5: 2D and 3D contoured gold geochemical anomalies over the Nazala Area

# REVIEW OF OPERATIONS



**Figure 6:** Aerial photograph of Wagande and Wagande South Prospects showing locations of deep geochemical survey points, artisanal workings and the drainage channel between the deposits. The strike length of the >19ppb anomaly is shown by the black arrows and the strike length of a lower tenor >9ppb anomaly is shown by the red arrows.

## RED DAM PROJECT (CARBINE 100%)

While desktop evaluation studies continued during the year, no field work was undertaken at the Red Dam Project.

## Competent Person's Statement

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

*Wagande South workings on Madougou Permit*



# 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 2010 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 the date of this report period is set out below. Directors were in office for the entire period unless otherwise stated.

Ms Aoife McGrath	Executive Director – Exploration	(Appointed 22 March 2010)
Mr Evan Cranston	Non-Executive Director	(Appointed 22 March 2010)
Dr Paul Kitto	Non-Executive Director	(Appointed 22 March 2010)
Mr Peter Patrick Torre	Non-Executive Director	(Resigned 22 March 2010)
Mr Gregory Steemson	Non-Executive Director	(Resigned 22 March 2010)
Mr Ronald George Sayers	Non-Executive Director	

## INFORMATION ON DIRECTORS

### Ms Aoife McGrath

### Executive Director – Exploration

Ms McGrath is a geologist with 12 years experience including over 7 years operating in Africa. She has held senior positions as either Exploration Manager or Senior Exploration Geologist in a number of African focussed gold exploration and mining companies. Prior appointments with Red Back Mining and AngloGold Ashanti involved grassroots to reserve definition exploration and management of large scale drilling programs resulting in multi-million ounce gold resources. Prior to her appointment with Carbine, Aoife was a mining analyst with a London stockbroker.

She holds a Bachelor of Science (Honours) in Geology together with a Masters of Science in both Engineering Geology and Mineral Exploration.

Ms McGrath has not held a directorship in any listed companies during the past three financial years.

### Mr Evan Cranston

### Non-Executive Director

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

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

He holds both a Bachelor of Commerce and Bachelor of Laws and is a member of AMPLA – The Resources and Energy Law Association.

Mr Cranston is currently Executive Director – Corporate of Ampella Mining Limited.

# DIRECTORS' REPORT

## **Dr Paul Kitto**

## **Non-Executive Director**

Dr Kitto's successful international exploration career extends over of 21 years experience within a range of major mining companies spanning a wide range of gold and base metal ore deposit types. He was previously Africa Exploration Manager for Gold Fields Limited. He has successfully negotiated, managed and co-ordinated exploration programs, joint ventures and project generation initiatives worldwide from grassroots through to advanced resource definition projects. He has either led or been a team member of successful exploration companies which have resulted in multi-million ounce gold resources in Africa, Australia and Papua New Guinea.

He holds a Doctorate in Geochemistry and Structural Geology from the Centre for Ore Deposit Research at the University of Tasmania where he was also employed as a Research Fellow.

Dr Kitto is currently the Managing Director and CEO of Ampella Mining Limited.

## **Mr Ronald George Sayers**

## **Non-Executive Director**

Mr Sayers is a founding Director of Ausdrill Limited, a successful mining services organisation with operations in Australia and West Africa. He served as Managing Director from 1987 to 1997 after serving as the branch manager of a large mining supply Group.

He was reappointed to the Managing Director position of Ausdrill in December 2000 and has guided the Group through an initial period of consolidation followed by major growth.

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

## **Mr Grant Mooney**

## **Company Secretary**

Mr Mooney was appointed to the position of Company Secretary in September 2010. Mr Mooney is a member of the Institute of Chartered Accountants and is the principal of Perth-based corporate advisory firm Mooney & Partners Pty Ltd, specialising in corporate compliance administration to public companies. Currently Mr Mooney acts as Director and Group Secretary to several ASX listed companies across a variety of industries including technology, resources and energy and has obtained a depth of experience through his involvement in a diversity of corporate transactions.

# DIRECTORS' REPORT

## DIRECTORS' MEETINGS

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

	Meetings held	Meetings attended while in office
Aoife McGrath	3	1
Evan Cranston	3	1
Dr Paul Kitto	3	1
Ronald George Sayers	3	1
Greg Steemson (Resigned 23 March 2010)	3	2
Peter Torre (Resigned 23 March 2010)	3	2

Each Director attended the maximum number of meetings held during their term in office with the exception of Ron Sayers.

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.

## PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was exploration for gold and other mineral resources.

## RESULTS

The loss for the financial year after income tax for the year was \$5,415,586 (31 December 2009: \$22,276).

## DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid or declared.

# DIRECTORS' REPORT

## REVIEW OF OPERATIONS

### FINANCIAL POSITION

The net assets of the Group as at 31 December 2010 are \$8,591,149 compared to \$1,883,585 as at 31 December 2009.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year, the Group commenced its Earn-In and Shareholder Agreement with Ampella Mining Limited (Ampella) in relation to the Madougou Gold Project in Burkina Faso, West Africa while at the same time restructuring the Board in proceeding with its new West African gold focus.

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

- An initial 51% interest by sole contributing \$3 million on exploration and appraisal of the Project within a period of 3 years from commencement of the first earning period, with a binding commitment to spend \$250,000 within a period of 12 months from commencement of the first earning period;
- A further 19% interest by sole contributing a further \$2 million within a period of 2 years from commencement of the second earning period; and
- A further 10% interest by completing and sole funding a pre-feasibility study within a period of 2 years from commencement of the third earning period.

### Exploration during 2010

Pre-wet season exploration in 2010 comprised geological and regolith mapping and high-resolution aeromagnetic and radiometric surveys over the Madougou and Kandy Permits and also a scout RC drill program over 3 Prospects on the Madougou Permit.

This maiden RC program intersected **56m at 1.6g/t gold** at the Dore Prospect, located in the northwest corner of the Madougou Permit (this hole ended in mineralisation) and **4m at 9.6g/t gold** at the Nimbo Prospect (in the southeast corner of the Madougou Permit).

While unable to conduct field work during the wet season, focus was placed on consolidating the region with option agreements signed over five new Permits; the Ban, Koumbre, Lossa, Dere, and Dabinyan I Permits. These new agreements do not form part of the Joint Venture with Ampella and are 100% held by Carbine Resources Limited.

Systematic geochemical surveys over the Madougou and Kandy Permits began immediately after the wet season and to date over 8.3kms of anomalies (at great than 15ppb gold) have been outlined. These anomalies cover the Dagbenan, Dagbenan South and Nimbo Prospects and the Nazala Area. These anomalies are of a very high tenor with values up to 6025ppb (6.03g/t) gold recovered. First pass AC programs are underway over the Dagbenan, Dagbenan South and Nimbo Prospects and are being planned for the Nazala Area.

# DIRECTORS' REPORT

Reconnaissance exploration has also commenced over the Ban and Koumbre Permits with high resolution aeromagnetic and radiometric surveys completed in February. Exploration programs of \$7 million have been approved for 2011 calendar year with the aims of identifying and drilling one area of resource and of outlining a pipeline of Prospects for follow-up.

## Capital Raisings during the Year

The following capital raisings by issue of the Group's securities were completed during the year:

### Share Placements

- An issue of 27,500,000 fully paid ordinary shares on 16 March 2010 to institutional and sophisticated investors at \$0.04 per share and 13,750,000 options exercisable at \$0.15 on or before 31 July 2011 at \$0.005 to raise approximately \$1.17 million before costs. The placement was subject to shareholder approval, which was given at a general meeting of shareholders held on 19 February 2010.
- An issue of 10,000,000 fully paid ordinary shares on 31 March 2010 to institutional and sophisticated investors at \$0.20 per share to raise \$2.0 million before costs. The placement was in accordance with the Group's 15% share issue capacity under the provisions of Listing Rule 7.1.
- An issue of 12,500,000 fully paid ordinary shares on 7 October 2010 to institutional and sophisticated investors at \$0.40 per share to raise \$5.0 million before costs. The placement was in accordance with the Group's 15% share issue capacity under the provisions of Listing Rule 7.1.
- An issue of 5,000,000 fully paid ordinary shares on 23 November 2010 to institutional and sophisticated investors at \$0.40 per share to raise \$2.0 million before costs. The placement was approved by shareholders on 15 November 2011.

### Non-renounceable Rights Issue of Options

The Group issued 23,755,798 options exercisable at \$0.15 on or before 31 July 2011 to existing shareholders on the basis of 1 new option for every 2 shares held at an issue price of \$0.005 per option to raise \$118,879. The issue was in accordance with the details of an Entitlement Issue announced by the Group on the 22 December 2009, together with the Prospectus for the Issue on 21 January 2010. The issue was fully underwritten and was completed in February 2010.

Funds raised during the year, together with existing cash on hand, is being directed towards the ongoing exploration program at the Group's Madougou Gold Project. Funds were also directed towards the provision of working capital.

# DIRECTORS' REPORT

## Issue of options

On the 27 August 2010, 6,000,000 unlisted Directors Options were issued to the Directors of the Group following approval by shareholders at a General Meeting held on the 30 July 2010.

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

2 September 2010	950,000 Employee Options	Exercisable at \$0.30 per share on or before 2 September 2013
13 September 2010	750,000 Employee Options	Exercisable at \$0.40 per share on or before 13 September 2013
6 October 2010	600,000 Employee Options	Exercisable at \$0.45 per share on or before 6 October 2013

## Red Dam Project

In August 2010 the Western Australian Department of Mines and Petroleum (DMP) commenced forfeiture proceedings on the Group's mining lease 16/344 which is the Red Dam tenement. The Group lodged a submission with the Minister of Mines defending these proceedings which was successful and a fine was issued. As security of tenure with respect to this tenement was not guaranteed during the submission process, at the time of lodging the Company's half yearly accounts for the period ended 30 June 2010, the Group elected to write down the carrying value of the asset to NIL. The Group has chosen not to write the asset value back at 31 December 2010.

## SUBSEQUENT EVENTS

### 2011 Exploration Program to date

On 11 January 2011 the Group announced the identification of a 7.4km long gold geochemical anomaly at the Madougou Gold Project.

On 11 January 2011 the Group issued 380,000 shares following the exercise of 380,000 listed options at an exercise price of \$0.15 per option raising \$57,000.

On 1 February 2011 the Group issued 118,250 shares following the exercise of 118,250 listed options at an exercise price of \$0.15 per option raising \$17,737.

On 8 February 2011 the Group announced results from aircore drilling and grab sampling at the Madougou Gold Project with drill results including 10m @ 4.2g/t gold and grab samples yielding 12.7g/t gold at the Dagbenan Prospect.

On 14 February 2011 the Group issued 145,000 shares following the exercise of 145,000 listed options at an exercise price of \$0.15 per option raising \$21,750.

On 1 March 2011 the Group announced an annual exploration program for the Madougou Exploration Project totalling \$7 million.

# DIRECTORS' REPORT

On 9 March 2011 the Group announced a 6000 meter drilling program over a 4.5km long geochemical anomaly at the Madougou Project

On 21 March 2011 the Group announced a very high tenor anomaly covering 3.6sqkms and with highest values of 6025ppb (6.03g/t) gold over the Nazala Area on the Madougou Permit.

## FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

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

## OPTIONS

The number of options for ordinary shares on issue at the date of this report is 36,174,958 listed options and 8,300,000 unlisted options.

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

<b>Date of Grant</b>	<b>No of Options</b>
Opening Balance	-
Options issued in the period	
Listed	37,505,798
Unlisted	8,300,000
Options exercised in the period	(1,330,840)
Options forfeited and expired in the period	-
<b>Balance at 31 December 2010</b>	<b>44,474,958</b>

## 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:

<b>Director</b>	<b>Ordinary Shares Fully Paid</b>		<b>Options</b>	
	<b>Direct</b>	<b>Indirect</b>	<b>Direct</b>	<b>Indirect</b>
Ms Aoife McGrath	1,545,333	-	2,000,000	-
Mr Evan Cranston	-	-	2,000,000	-
Dr Paul Kitto	-	*2,200,000	-	3,250,000
Mr Ronald Sayers	-	**3,000,000	-	-

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

\*\*shares held by Mr Ronald Sayers are held in the name of Nebraska Pty Ltd

# DIRECTORS' REPORT

## REMUNERATION REPORT

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 of the Company.

Details of Key Management Personnel:

Ms Aoife McGrath	Executive Director – Exploration
Mr Evan Cranston	Non-Executive Director
Dr Paul Kitto	Non-Executive Director
Mr Ron Sayers	Non-Executive Director
Mr Grant Mooney	Company Secretary

## Compensation of Key Management Personnel

Up until formation of the Remuneration Committee on 15 December 2010, the Board of Directors was responsible for determining and reviewing compensation arrangements for the Directors. The Remuneration Committee comprised Directors Dr Paul Kitto and Mr Evan Cranston with Mr Grant Mooney acting as Secretary. The Committee assesses the appropriateness of the nature and amount of emoluments of such officers on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of appropriately qualified Directors and Executives. The Committee reports to the Board of Directors on these findings and in turn makes recommendations in relation to remuneration standards. Presently there are no formalised arrangements which give rise to the payment of additional remuneration to Directors contingent on Group performance.

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

Given the size of the Group and its operations there is no relationship between remuneration and Group performance and shareholder wealth other than options issued as remuneration.

Non-Executive Director remuneration will be determined according to market practice for junior listed companies based on information obtained from industry analysts. The current Non-Executive Directors have chosen not to receive any Directors' fees whilst the Group is in its current development phase, however, to compensate for this, Non-Executive Directors Dr Paul Kitto and Mr Evan Cranston received 2,000,000 options each at various exercise prices.

# DIRECTORS' REPORT

## Compensation of Key Management Personnel

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

2009	Short-Term	Post	Share-Based	Total	% Performance Based
	Benefits	Employment	Payment		
Name	Cash Salary and Fees	Super-annuation	Shares / Options	\$	
	\$	\$	\$	\$	
<i>Non-Executive Directors</i>					
Mr Peter Torre	44,044	-	50,000	94,044	0%
Mr Ron Sayers	0	-	50,000	50,000	0%
Mr Greg Steemson	8,800	-	50,000	58,800	0%
<i>Sub-total Non-Executive Directors</i>	52,844	-	150,000	202,844	0%
<i>Executive Directors</i>					
Mr Rob Brierley	57,402	-	-	57,402	0%
<i>Specified Executive</i>					
Ms Mary-Ann Brierley	21,764	1,766	-	23,530	0%
<b>Total</b>	<b>132,010</b>	<b>1,766</b>	<b>150,000</b>	<b>283,776</b>	<b>0%</b>

# DIRECTORS' REPORT

## Compensation Options

There were a total of 8,300,000 compensation options issues to Directors and Employees during the period.

## Service Agreements

On 5th March 2010 the Group entered into a Service Agreement with Ms Aoife McGrath, Executive Director Exploration. The agreement provides for an annual salary of \$180,000, reviewed annually, and is for an indefinite period and is severable by either party provided three months written notice is given.

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

No other remuneration arrangements were in place during the financial year ended 31 December 2010.

## 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. 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	458,927	2,000,000	100%	-	-
Dr Paul Kitto	2,000,000	458,927	2,000,000	100%	-	-
Mr Ron Sayers	-	-	-	-	-	-
Mr Peter Torre (Resigned 22 March 2010)	-	-	-	-	-	-
Mr Greg Steemson (Resigned 22 March 2010)	-	-	-	-	-	-
<i>Executive Directors</i>						
Ms Aoife McGrath	2,000,000	459,368	2,000,000	100%	-	-
<i>Specified Executive</i>						
Mr Grant Mooney	750,000	168,023	750,000	100%	-	-
	6,750,000	1,545,245	-	-	-	-

\* 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.

# DIRECTORS' REPORT

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

	2010 No shares issued	2009 No shares issued
Ms Aoife McGrath	-	-
Mr Evan Cranston	-	-
Dr Paul Kitto	-	-
Mr Peter Torre (Resigned 23 March 2010)	-	1,000,000
Mr Gregory Steemson (Resigned 23 March 2010)	-	1,000,000
Mr Ron Sayers	-	1,000,000

The fair value of the shares was assessed at grant date based on observable fair market value. The shares issued are not subject to any escrow period.

## 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 \$10,500.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

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

# DIRECTORS' REPORT

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## 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 31st day of March, 2011

Signed in accordance with a resolution of the Directors



**Mr Evan Cranston**  
Director

## Competent Person's Statement

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

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	CONSOLIDATED	
		2010 \$	2009 \$
<b>Revenue from continuing operations</b>	2	212,685	534,329
Exploration & evaluation costs	8	(2,146,324)	(4,825)
Impairment of exploration assets	8	(1,089,440)	(50,560)
Depreciation	2	(26,172)	(3,614)
Share based payment expenses	17	(1,902,434)	(150,000)
Employee, director and consultant expenses		(139,174)	(147,365)
General and administration expenses	2	(299,143)	(155,689)
Foreign exchange gain/(loss)		(25,584)	-
Profit/(loss) before income tax expense		(5,415,586)	22,276
Income Tax Expense	3	-	-
Profit/(loss) after income tax from continuing operations		(5,415,586)	22,276
<b>Profit/(loss) attributable to members of Carbine Resources Limited</b>		(5,415,586)	22,276
<b>Other comprehensive income</b>			
Exchange difference on translation of foreign operations		197,495	-
Total other comprehensive income/(loss)		197,495	22,276
<b>Total comprehensive loss attributable to members of Carbine Resources Limited</b>		(5,218,091)	44,552
<b>Loss per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings/(loss) per share	12	(6.75)	0.04
Diluted earnings/(loss) per share	12	N/A	0.04

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

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	CONSOLIDATED	
		2010	2010
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	8,499,520	564,217
Trade and other receivables	5	132,179	4,680
Other current assets	6	20,211	4,749
<b>TOTAL CURRENT ASSETS</b>		<b>8,651,910</b>	<b>573,646</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	7	316,790	2,529
Exploration and evaluation expenditure	8	-	1,089,441
Financial assets	9	-	226,545
<b>TOTAL NON-CURRENT ASSETS</b>		<b>316,790</b>	<b>1,318,515</b>
<b>TOTAL ASSETS</b>		<b>8,968,700</b>	<b>1,892,161</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	376,577	8,576
Provisions		974	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>377,551</b>	<b>8,576</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>377,551</b>	<b>8,576</b>
<b>NET ASSETS</b>		<b>8,591,149</b>	<b>1,883,585</b>
<b>EQUITY</b>			
Issued Capital	11	17,448,904	7,425,683
Reserves	20	2,323,805	223,876
Accumulated losses		(11,181,560)	(5,765,974)
<b>TOTAL EQUITY</b>		<b>8,591,149</b>	<b>1,883,585</b>

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	CONSOLIDATED				
	Contributed Equity \$	Accumulated Losses \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve	Total Equity \$
<b>Balance at 1 January 2010</b>	<b>7,425,683</b>	<b>(5,765,974)</b>	<b>223,876</b>	-	<b>1,883,585</b>
Total comprehensive income/ (loss) for the year	-	(5,415,586)	-	-	(5,415,586)
Exchange difference on translation of foreign operations	-	-	-	197,495	197,495
<b>Total comprehensive income/ (loss) for the year</b>	-	<b>(5,415,586)</b>	-	<b>197,495</b>	<b>(5,218,091)</b>
Share based payments	-	-	1,902,434	-	1,902,434
<b>Transactions with owners in their capacity as owners:</b>					
Share buy-back	-	-	-	-	-
Issue of shares	10,650,854	-	-	-	10,650,854
Transaction costs on issue of fully paid ordinary shares and options (net of tax)	(627,633)	-	-	-	(627,633)
	10,023,221	-	-	-	10,023,221
<b>Balance at 31 December 2010</b>	<b>17,448,904</b>	<b>(11,181,560)</b>	<b>2,126,310</b>	<b>197,495</b>	<b>8,591,149</b>

	Contributed Equity \$	Accumulated Losses \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve	Total Equity \$
<b>Balance at 1 January 2009</b>	<b>7,711,029</b>	<b>(5,788,250)</b>	<b>73,876</b>	-	<b>1,996,655</b>
Total comprehensive income for the year					
Profit for the year	-	22,276	-	-	22,276
<b>Total comprehensive income for the year</b>	-	<b>22,276</b>	-	-	<b>22,276</b>
Share based payments	-	-	150,000	-	150,000
Transactions with owners in their capacity as owners:					
Share buy-back	(285,346)	-	-	-	(285,346)
<b>Balance at 31 December 2009</b>	<b>7,425,683</b>	<b>(5,765,974)</b>	<b>223,876</b>	-	<b>1,883,585</b>

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

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	CONSOLIDATED	
		2010	2009
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(84,317)	(357,409)
Exploration expenditure, prospects, management fees	18	(2,273,823)	-
Interest received		132,886	22,438
Other revenue		1,334	-
<b>Net cash (outflow) from operating activities</b>	18	<b>(2,223,920)</b>	<b>(334,971)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for plant and equipment		(340,433)	-
Proceeds from sale of investments		305,009	-
<b>Net cash (outflow) from investing activities</b>		<b>(35,424)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares, net of capital raising costs		10,023,221	-
<b>Net cash inflow from financing activities</b>		<b>10,023,221</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents held</b>		<b>7,763,877</b>	<b>(334,971)</b>
Cash and cash equivalents at the beginning of the period		564,217	899,188
Differences in foreign exchange		171,426	-
<b>Cash and cash equivalents at the end of the period</b>	4	<b>8,499,520</b>	<b>564,217</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### 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.

In April 2010 a wholly owned subsidiary, Carbine SARL, was incorporated in Burkina Faso in West Africa. These accounts have been consolidated into the listed public company, Carbine Resources Limited. Given the incorporation date the prior year comparison reports do not include this entity.

The accounting policies adopted are consistent with those of the previous financial year and corresponding half-year reporting period, except as follows:

The Group has changed its accounting policy for exploration, evaluation and development expenditure from 31 December 2010.

Previously, the Group only recognised exploration and evaluation assets if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest continuing.

From 31 December 2010, the Directors formed the view that the change in the Group's Exploration and evaluation asset accounting policy would provide more relevant and reliable information to management and users of the financial statements. Therefore, the exploration and evaluation asset will be recognised as follows:

- (i) when acquiring exploration and evaluation assets, the Group will carry those projects at acquisition value in the statement of financial position, less any subsequent impairment.

# NOTES TO THE FINANCIAL STATEMENTS

- (ii) 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. Where the Directors conclude that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and that future economic benefits are probable, further expenditure is capitalised as part of property, plant and equipment.

As a result of expensing the exploration and evaluation assets, the exploration and evaluation asset expenditure for 2010 is \$2,146,324 (2009: \$4,825). This exploration and evaluation expenditure is not related to acquiring the exploration and evaluation assets in Burkina Faso and is therefore expensed in full. The prior year comparatives have not been restated as the restatement would be immaterial to the users of the financial statements.

## Historical Cost Convention

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

## (a) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

## (b) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the Statement of Financial Position date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

## (c) Mineral Exploration and Evaluation and Development Expenditure

The Group has changed the accounting policy on exploration, evaluation and development expenditure as the Directors formed the view that the change in the Group's accounting policy would provide more relevant and reliable information to management and users of the financial statements.

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

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

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

## (d) Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

### Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Office Equipment	33%

# NOTES TO THE FINANCIAL STATEMENTS

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income.

## (e) Impairment of Assets

At each reporting date, the Group reviews the carrying values of tangible assets and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

## (f) Employee Benefits

A provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

## (g) Financial Instruments

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

### Recognition

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

The Group has the following financial assets:

## *Financial assets at fair value*

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

Financial assets at fair value are measured initially at fair value which includes transaction costs directly attributable to the acquisition of the financial asset. They are measured subsequently at fair value with movements in fair value being recognised in profit or loss, unless:

- The Group has made an irrevocable election to present gains and losses on the financial asset in other comprehensive income. This election has been made on an individual equity basis.

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

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

## *Impairment*

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

## **Financial Liabilities**

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

## **Fair Value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instructions and option pricing models.

# NOTES TO THE FINANCIAL STATEMENTS

## (h) Trade Receivables

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

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

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

## (i) Revenue Recognition

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

## (j) Principles of Consolidation

### *Subsidiaries*

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## *Changes in ownership interest*

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

## **(k) Foreign Currency Translation**

### *Functional and presentation currency*

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

### *Transactions and balances*

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

### *Group companies*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

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

## (l) Earnings Per Share

### *Basic earnings per share*

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

### *Diluted earnings per share*

Diluted EPS earnings is calculated by adjusting the basic EPS earnings for the after tax effect of financing costs and the effect of conversion to ordinary shares associated with dilutive potential ordinary shares, rather than including the notional earnings on the funds that would have been received by the entity had the potential ordinary shares been converted.

The diluted EPS weighted average number of shares includes the number of ordinary shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather than the total number of dilutive potential ordinary shares. The number of ordinary shares assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average price.

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.

# NOTES TO THE FINANCIAL STATEMENTS

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

## (n) Share-Based Payment Transactions

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

Details of plans currently in place to provide these benefits are as follows:

- the Employee Option Incentive Scheme (EOIS), which provides benefits to employees in the form of options to subscribe for shares subject to vesting periods.

The cost of these equity-settled transactions with Directors and employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest.

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. 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.

# NOTES TO THE FINANCIAL STATEMENTS

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

## (p) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

### *Share based payment*

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

## (q) Contributed Equity

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Group.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## (r) Other Taxes

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## (s) New Accounting Standards and Interpretations

The AASB has issued new, revised and amended standards and interpretations that are not mandatory for 31 December 2010 reporting periods. The group has decided against early adoption of these standards. A discussion of these future requirements and their impact on the Group is set out below.

Affected Standard	Title of Affected Standard	Nature of Change	Application Date *	Impact on Initial Application
AASB 2009-5 (issued May 2009)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process	Not urgent, but necessary changes to AIFRS as a result of the IASB's 2008 annual improvement process.	1-Jan-10	
- AASB 107	Statement of Cash flows	Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities.	1-Jan-10	Initial adoption of this amendment will have no impact as the entity only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.
- AASB 5	Non-Current Assets Held for Sale and Discontinued Operations	Clarifies that disclosures required for non-current assets classified as held for sale are limited to those required by AASB 5 unless disclosures are specifically required for these assets by other AASB's.	1-Jan-10	There will be no impact as these requirements are only required to be applied prospectively to disclosures for non-current assets classified as held for sale.
AASB 2009-8 (issued July 2009)	Amendments to Australian Accounting Standards- Group Cash-Settled Share based Payment transactions	Clarifies the scope and accounting for Group cash-settled share-based payment transactions in the individual financial statements of an entity receiving goods/services when that entity has no obligation to settle the share-based payment transaction.	1-Jan-10	No impact as there are no share-based payment transactions where the entity receives goods or services with no corresponding obligation to settle the share-based payment transaction.
		Supersedes Interpretation 8		
		Scope of AASB 2 and Interpretation 11 AASB 2 Group and Treasury Share Transactions.		

# NOTES TO THE FINANCIAL STATEMENTS

Affected Standard	Title of Affected Standard	Nature of Change	Application Date *	Impact on Initial Application
AASB 2009-10	Amendments to Australian Accounting Standards- Classification of Rights Issues [AASB 132]	Clarifies that such transaction where an issue of rights or options to a fixed number of shares for a fixed amount in a different currency to the functional currency must be treated as equity.	1-Feb-10	There will be no impact as the entity does not issue rights or options to a fixed numbers of shares for a fixed amount in a different currency to the functional currency.
AASB 124	Related Party Disclosures	Clarifies the definition of a related party.	1-Jan-11	As this a disclosure standard only, there will be no impact on amounts recognised in the financial statements.
(issued December 2009)				
AASB Interpretation 19 (issued December 2009)	Extinguishing Financial Liabilities with Equity Instruments	Equity instruments issued to a creditor to extinguish all or part of a financial liability are 'consideration paid' to be recognised at the fair value of the equity instruments issued, unless their fair value cannot be measured reliably, in which case they are measured at the fair value of the debt extinguished. Any difference between the carrying amount of the financial liability extinguished and the 'consideration paid' is recognised in profit or loss	1-Jul-10	There will be no impact as the entity has not undertaken any debt for equity swaps.
IFRS 7	Financial Instruments Disclosures	Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held.	1-Jan-11	There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures.

# NOTES TO THE FINANCIAL STATEMENTS

## (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.

## 2. REVENUE AND EXPENSES

	CONSOLIDATED	
	2010	2009
	\$	\$
<b>(a) Revenue from continuing operations</b>		
Interest revenue	132,886	43,033
Royalty revenue	-	491,296
Other revenue	79,799	-
	212,685	534,329
<b>(b) Depreciation</b>		
Plant and equipment	26,172	3,614
<b>(c) General and administration expenses</b>		
Superannuation	2,117	1,765
Operating lease – rental	34,743	36,611
Other expenses	262,283	117,313
Total general and administrative expenses	299,143	155,689

## 3. INCOME TAX EXPENSES

The components of income tax expense comprise:

	2010	2009
	\$	\$
Current tax	-	-
Deferred tax	-	-
Income tax benefit reported in the Statement of Comprehensive Income	-	-

# NOTES TO THE FINANCIAL STATEMENTS

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

- Prima facie tax payable on profit/(loss) before income tax at 30% (2009: 30%)

	2010	2009
	\$	\$
Profit/(loss) before income tax	(5,415,586)	22,276
At the Group's statutory income tax rate of 30%	(1,624,676)	6,683
Timing differences	-	-
Unrecognised DTA losses	1,624,676	-
Utilisation of carried forward tax losses	-	(6,683)
Income tax attributable to entity	-	-
The applicable weighted average effective rate are as follows:	0%	0%
Tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1 occur	3,321,929	1,697,253
Deferred tax assets		
- temporary differences	-	-
- tax losses (operating losses)	3,321,929	1,697,253
- tax losses (capital losses)	-	-
	3,321,929	1,697,253

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

## 4. CASH AND CASH EQUIVALENTS

	2010	2009
	\$	\$
Cash at bank	8,499,520	564,217

The effective interest rate on short term bank deposit was 5.67% (2009: 2.72%)

### 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 balance sheet as follows:

	2010	2009
	\$	\$
Cash at bank	8,499,520	564,217

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

# NOTES TO THE FINANCIAL STATEMENTS

## 5. TRADE AND OTHER RECEIVABLES-CURRENT

	2010	2009
	\$	\$
Net GST refundable	44,692	4,680
Other receivable	87,487	-
	132,179	4,680

No receivables are past due nor impaired. Due to the short term nature of the receivable, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk at the end of the reporting period is the total mentioned above. Further details on the Group's management policy can be found at note 1.

## 6. OTHER CURRENT ASSETS

	CONSOLIDATED	
	2010	2009
	\$	\$
Prepayments	13,831	4,749
Other current asset	6,380	-
	20,211	4,749

## 7. PLANT AND EQUIPMENT

	Furniture & Equipment	Establishment expenses and deferred charges	Patent, licensing, software	Motor Vehicle	Total
	\$	\$	\$	\$	\$
<b>Year ended</b>					
<b>31 December 2009</b>					
Opening net book value	6,143	-	-	-	6,143
Depreciation charge for the year	(3,614)	-	-	-	(3,614)
Closing net book value	2,529	-	-	-	2,529
<b>At 31 December 2009</b>					
Cost or fair value	11,885	-	-	-	11,885
Accumulated depreciation and impairment	(9,356)	-	-	-	(9,356)
Net book value	2,529	-	-	-	2,529

# NOTES TO THE FINANCIAL STATEMENTS

	Furniture & Equipment	Establishment expenses and deferred charges	Patent, licensing, software	Motor Vehicle	Total
	\$	\$	\$	\$	\$
<b>Year ended</b>					
<b>31 December 2010</b>					
Opening net book value	2,529	-	-	-	2,529
Additions	99,230	295	6,389	234,519	340,433
Depreciation charge for the year	(7,254)	-	(177)	(18,741)	(26,172)
Closing net book value	94,505	295	6,212	215,778	316,790
<b>At 31 December 2010</b>					
Cost or fair value	111,115	295	6,389	234,519	352,318
Accumulated depreciation and impairment	(16,610)	-	(177)	(18,741)	(35,528)
Net book value	94,505	295	6,212	215,778	316,790

## 8. EXPLORATION AND EVALUATION EXPENDITURE

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

	2010	2009
	\$	\$
Carrying amount at beginning of year	1,089,440	1,140,000
Impairment loss	(1,089,440)	(50,560)
Carrying amount at the end of year	-	1,089,440
Exploration expenditure during the year	2,146,324	4,825
Exploration costs expensed	(2,146,324)	(4,825)
	-	-

## 9. FINANCIAL ASSETS

	CONSOLIDATED	
	2010	2009
	\$	\$
Financial assets at fair value	226,545	226,545
Consideration received on sale of financial assets at fair value	(305,010)	-
Gain on sale of financial assets	78,465	-
Total financial assets at fair value	-	226,545

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

All instruments in controlled entities are at cost.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 10. TRADE AND OTHER PAYABLE – CURRENT

	2010	2009
	\$	\$
Trade payables – unsecured	336,713	8,576
Other payables and accruals – unsecured	39,864	-
Total trade and other payables	<u>376,577</u>	<u>8,576</u>

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

## 11. ISSUED CAPITAL

	2010		2009	
	No. of Shares	\$	No. of Shares	\$
<i>(a) Ordinary shares fully paid</i>				
Balance at beginning of period	47,511,596	7,425,683	51,147,545	7,711,029
Issue of shares to directors in lieu of directors fees	-	-	3,000,000	-
Issue of shares	56,330,840	10,650,854		
Share buy-back	-	-	(6,635,949)	(285,346)
Costs of capital raising	-	(627,633)	-	-
Balance at end of period	<u>103,842,436</u>	<u>17,448,904</u>	<u>47,511,596</u>	<u>7,425,683</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>No. of Options</b>	<b>Exercise Price</b>
Opening balance		
Issued options	37,505,798	Various
Options exercised	(1,330,840)	\$0.15
Balance at 31 December 2010	<u>36,174,958</u>	

# NOTES TO THE FINANCIAL STATEMENTS

## 12. EARNINGS PER SHARE

### (a) Basic earnings per share

	2010	2009
	\$	\$
Basic earnings/(loss) per share (cents per share)	(6.75)	0.04
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	80,205,182	50,800,900
Net profit/(loss) used in the calculation of basic earnings per share	(5,415,586)	22,276

### (b) Diluted earnings per share

	2010	2009
	\$	\$
Diluted earnings/(loss) per share (cents per share)	N/A	0.04
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted earnings per share	N/A	50,800,900
Net profit/(loss) used in the calculation of diluted earnings per share	N/A	22,276

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

## 13. AUDITORS' REMUNERATION

	2010	2009
	\$	\$
Remuneration of Auditor of the Company:		
Auditing or reviewing the financial report BDO Audit (WA) Pty Ltd	17,170	24,000

# NOTES TO THE FINANCIAL STATEMENTS

## 14. SEGMENT REPORTING

### (a) Description of Segments

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

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

### (b) Other Segment Information

#### (i) Segment revenue

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

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

2010	Exploration operations		
	Australia	West Africa	Total
Total segment revenue	-	-	-
Inter-segment revenue	-	-	-
<b>External Revenues</b>	-	-	-
<b>Adjusted EBITDA</b>	(20,128)	(1,311,041)	(1,331,169)
Depreciation	(2,529)	(23,643)	(26,172)
Exploration and evaluation expenses	(8,683)	(2,137,641)	(2,146,324)
Impairment of exploration cost	(1,089,440)	-	(1,089,440)
<b>Total segment assets</b>	<b>46,216</b>	<b>13,368</b>	<b>59,584</b>
<b>Total segment liabilities</b>	<b>54,891</b>	-	<b>54,891</b>
2009	Australia	West Africa	Total
Total segment revenue	-	-	-
Inter-segment revenue	-	-	-
<b>External Revenues</b>	-	-	-
<b>Adjusted EBITDA</b>	55,384	-	55,384

# NOTES TO THE FINANCIAL STATEMENTS

## (ii) Adjusted EBITDA

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

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

	CONSOLIDATED	
	2010	2009
	\$	\$
Intersegment eliminations	-	-
Interest revenue	(132,886)	-
Depreciation	(26,172)	-
Share-based payments	(1,902,434)	-
Other	(2,022,925)	(33,108)
Loss from continuing operations before tax	(5,415,586)	22,276

## (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.

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

	CONSOLIDATED	
	2010	2009
	\$	\$
Segment assets	59,584	1,089,441
Intersegment eliminations	-	-
Unallocated:		
Cash and cash equivalents	8,446,661	-
Corporate headquarters assets	-	-
Other assets	462,455	802,720
Total assets as per the balance sheet	8,968,700	1,892,161

# NOTES TO THE FINANCIAL STATEMENTS

## (iv) Segment liabilities

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

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

	CONSOLIDATED	
	2010	2009
	\$	\$
Segment liabilities	54,891	-
Intersegment eliminations	-	-
Unallocated:		
Other liabilities	322,660	8,576
Total liabilities as per the balance sheet	377,551	8,576

## 15. RELATED PARTY TRANSACTIONS

The Group has entered into a lease with respect to its office premises located at Suite 23, 513 Hay Street in Subiaco. The owner of these premises is the J W Cranston Family Trust, who is a related entity of Mr Evan Cranston, a Non-Executive Director of the Group appointed on the 22 March 2010. Rent and office services paid during the year-end period were \$27,000.

During the year-ended period, the Group commenced its Earn-In and Shareholder Agreement with Ampella Mining Ltd in respect to the Madougou Gold Project in Burkina Faso, West Africa. On the 22 March 2010, Dr Paul Kitto was appointed as a Non-Executive Director of the Group. Both Dr Kitto and Mr Evan Cranston are Directors of Ampella Mining Ltd. Remuneration of each of these Directors are in accordance with the same principles as disclosed in the Directors Report.

## 16. KEY MANAGEMENT PERSONNEL DISCLOSURE

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

- Ms Aoife McGrath (Executive Director-Exploration)
- Mr Evan Cranston (Non-Executive Director)
- Dr Paul Kitto (Non-Executive Director)
- Mr Ronald George Sayers (Non-Executive Director)
- Mr Peter Torre (Resigned 22 March 2010)
- Mr Greg Steemson (Resigned 22 March 2010)

# NOTES TO THE FINANCIAL STATEMENTS

## Remuneration by Category

	2010	2009
	\$	\$
<b>Key Management Personnel</b>		
Short-term	160,540	110,246
Post-employment	-	-
Share-based payment	1,377,222	150,000
	<u>1,537,762</u>	<u>260,246</u>

## Option holdings of Key Management Personnel

2010							
	Balance						Total
Key Management Personnel	at 1 Jan 10	Granted as Remuneration	Options Exercised	Other Changes	Balance at 31 Dec 10	Total Vested 31 Dec 10	Exercisable 31 Dec 10
Ms Aoife McGrath	-	2,000,000	-	-	2,000,000	-	-
Mr Evan Cranston	-	2,000,000	-	-	2,000,000	-	-
Dr Paul Kitto	-	2,000,000	-	-	2,000,000	-	-
	-	6,000,000	-	-	6,000,000	-	-

## Option holdings of Key Management Personnel (cont.)

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

# NOTES TO THE FINANCIAL STATEMENTS

## Shareholdings of Key Management Personnel

2010

Key Management Personnel	Balance at 1 Jan 10	Received as Remuneration	Options Exercised	Net Changes (other)	Balance at 31 Dec 10
Mr Peter Torre (Resigned 22 March 2010)	2,250,000	-	-	(2,250,000)	-
Mr Greg Steemson (Resigned 22 March 2010)	1,500,000	-	-	(1,500,000)	-
Mr Ron Sayers	3,000,000	-	-	-	3,000,000
Ms Aoife McGrath	-	-	-	1,500,000	1,500,000
Mr Evan Cranston	-	-	-	-	-
Dr Paul Kitto	-	-	-	2,200,000	2,200,000
	6,750,000	-	-	3,200,000	6,700,000

2009

Key Management Personnel	Balance at 1 Jan 09	Received as Remuneration	Options Exercised	Net Changes (other)	Balance at 31 Dec 09
Mr Robert Brierley	3,375,002	-	-	(3,375,002)	-
Mr Peter Torre	750,000	1,000,000	-	500,000	2,250,000
Mr Greg Steemson	-	1,000,000	-	500,000	1,500,000
Mr Ron Sayers	1,500,000	1,000,000	-	500,000	3,000,000
	5,625,002	3,000,000	-	(1,875,002)	6,750,000

## Loans to Key Management Personnel

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

## Other transactions and balances with Key Management Personnel

There were no transactions or balances with Key Management Personnel.

# NOTES TO THE FINANCIAL STATEMENTS

## 17. SHARED BASED PAYMENTS

### (a) Employee Option Plan

Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Granted during the year	Value at grant date	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	\$	Number	Number	Number	Number
<b>Consolidated and parent entity – 2010</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	-	950,000	225,216	-	-	950,000	-
14-Sep-10	13-Sep-13	\$0.40	-	750,000	168,023	-	-	750,000	-
7-Oct-10	6-Oct-13	\$0.45	-	600,000	131,973	-	-	600,000	-
			-	8,300,000	1,902,434	-	-	8,300,000	-
Weighted average exercise price	-	\$0.36	-	-	-	\$0.36	-	-	-

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

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.67 years (2009 – 3 years).

The assessed fair value at grant date of options granted during the year ended 31 December 2010 was 36 cents per option. The fair value at grant date is independently determined using a Black-Scholes option pricing model. This volatility rate was 117% and the risk free interest rate was 4.6%. The share price at grant date was 32.5 cents per share.

The options had a total value of \$1,902,434. This amount had been expensed in the Statement of Comprehensive Income during the year (2009: \$0).

# NOTES TO THE FINANCIAL STATEMENTS

## (b) Employee Shares Plan

2010	CONSOLIDATED	
	Number	\$
Number of shares issued to the directors	-	-

2009	CONSOLIDATED	
	Number	\$
Number of shares issued to the directors	3,000,000	150,000

There were no shares issued to the Directors during the 2010 financial year as part of an employee share scheme (2009:\$150,000).

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

	CONSOLIDATED	
	2010	2009
	\$	\$
(Profit)/loss after income tax	5,415,586	(22,276)
Add:		
- Depreciation	(26,172)	(3,614)
- Impairment loss	(1,089,440)	(50,559)
- Exploration and expenditure capitalised	-	-
- Royalty revenue	-	491,296
- Fair value investments	-	20,595
- Share based payments	(1,902,434)	(150,000)
- Profits on sale of assets	78,465	-
- Sundry income	-	-
Changes in assets and liabilities during the year:		
Increase/(decrease) in prepayments	15,462	(2,821)
Increase/(decrease) in receivables	127,012	4,679
Increase/(decrease) in payables and provisions	(368,975)	47,671
Increase/(decrease) in financial asset	-	-
Increase/(decrease) in plant & equipment	-	-
Foreign exchange differences	(25,584)	-
Net cash used in operations	2,223,920	334,971

# NOTES TO THE FINANCIAL STATEMENTS

## 19. FINANCIAL INSTRUMENTS

### Financial Risk Management

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

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

### Financial Risk

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

	2010	2009
	\$	\$
Cash at bank	8,499,520	564,217

### Financial Asset

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

	CONSOLIDATED	
	2010	2009
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	8,499,520	564,217
<b>Financial Assets</b>		
Trade and other receivables	132,179	4,680
Financial assets at fair value	-	226,545
	<u>132,179</u>	<u>231,225</u>
<b>Financial Liabilities</b>		
Trade and other payables	376,577	8,576
	<u>376,577</u>	<u>8,576</u>

# NOTES TO THE FINANCIAL STATEMENTS

## Liquidity Risk and Liquidity Risk Management

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

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

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

## Credit Risk

Credit risk refers to the risk that counterparties will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis.

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

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 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:

2010	Weighted Average Interest Rate %	Floating Interest Rate \$	Fixed Interest Maturing in 1 Year or Less \$	Non- Interest Bearing \$	Total \$
<b>Financial Asset</b>					
Cash and cash equivalents	5.67	8,499,520	-	-	8,499,520.00
Receivables	-	-	-	132,179	132,179
<b>Financial Liabilities</b>					
Payables	-	-	-	(376,577)	(376,577)
<b>Net Financial Assets</b>	5.67	8,499,520	-	(244,398)	8,255,122
2009	Weighted Average Interest Rate %	Floating Interest Rate \$	Fixed Interest Maturing in 1 Year or Less \$	Non- Interest Bearing \$	Total \$
<b>Financial Asset</b>					
Cash and cash equivalents	2.72	564,217	-	-	564,217
Receivables	-	-	-	4,680	4,680
<b>Financial Liabilities</b>					
Payables	-	-	-	(8,576)	(8,576)
<b>Net Financial Assets</b>	-	564,217	-	(3,896)	560,321

# NOTES TO THE FINANCIAL STATEMENTS

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

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

2009	Carrying Amount	-1%		1%	
		Profit	Equity	Profit	Equity
		\$	\$	\$	\$
Cash and cash equivalents	564,217	(5,642)	(5,642)	(5,642)	(5,642)
Trade receivables	4,680	-	-	-	-
Trade payables	(8,576)	-	-	-	-
Total increase/(decrease)	560,321	(5,642)	(5,642)	(5,642)	(5,642)

## Fair Value Estimation

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## Unrecognised Financial Instruments

The Group does not have any unrecognized financial instruments.

# NOTES TO THE FINANCIAL STATEMENTS

## Foreign Exchange Risk

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

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

	31 December 2010		31 December 2009	
	USD	CFA	USD	CFA
	\$	\$	\$	\$
Trade receivables	-	87,487	-	-
Trade payables	(42,505)	(281,822)	-	-
Total	(42,505)	(194,335)	-	-

Had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit would have been \$4,251 lower or higher. On the other hand, had the Australian dollar weakened/strengthened by 10% against the CFA with all other variables held constant, the Group's post-tax profit would have been \$19,434 lower or higher.

## Capital Management Risk

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

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

## 20. RESERVES

### (a) Share-Based Payment Reserve

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

Movements	2010	2009
	\$	\$
Opening balance	223,876	73,876
Shares issued to Directors	1,902,434	150,000
Closing balance	2,126,310	223,876

# NOTES TO THE FINANCIAL STATEMENTS

## (b) Foreign Currency Translation

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

	2010	2009
Movements	\$	\$
Opening balance	-	-
Foreign currency translation	197,495	-
Closing balance	197,495	-

## 21. COMMITMENTS AND CONTINGENCIES

### Operating Lease Commitments

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

	2010	2009
Operating Lease Commitments	\$	\$
Office premises due within 1 year	36,000	10,923
Office premises due greater than 1 year and less than 5	-	-
Total	36,000	10,923

Starting from April 2010, Carbine Resources Limited has entered into a lease with respect to its office premises located at Suite 23, 513 Hay Street in Subiaco in monthly periodic basis.

### Exploration Commitments

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

	2010	2,009
Exploration Commitments	\$	\$
Due within 1 year	-	250,000
Due greater than 1 year and less than 5	4,750,000	2,750,000
Total	4,750,000	3,000,000

### Contingent Liabilities

The Directors are not aware of any contingent liabilities as at the date of this report.

# NOTES TO THE FINANCIAL STATEMENTS

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## 22. SUBSEQUENT EVENTS

The following post balance date events have occurred:

### *Issue of shares*

On 11 January 2011 the company issued 380,000 shares following the exercise of 380,000 listed options at an exercise price of \$0.15 per option raising \$57,000. On 1 February 2011 the company issued 118,250 shares following the exercise of 118,250 listed options at an exercise price of \$0.15 per option raising \$17,737. On 14 February 2011 the company issued 145,000 shares following the exercise of 145,000 listed options at an exercise price of \$0.15 per option raising \$21,750.

# DIRECTOR'S DECLARATION

The Directors of Carbine Resources Ltd declare that:

1. The financial statements comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the accompanying notes, are in accordance with the Corporations Act 2001, including:
  - (a) complying with Accounting Standards and the Corporations Regulations 2001; and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the financial position as at 31 December 2010 and of the performance for the period ended on that date of the Group.
2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
3. Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
4. The audited remuneration disclosures set out on pages 24 to 27 of the Directors' report for the year ended 31 December 2010 comply with Section 300A of the Corporations Act 2001.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.

Signed in accordance with a resolution of the Directors:



**Mr Evan Cranston**

Director

Dated at Perth this 31st day of March, 2011

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# AUDITOR'S INDEPENDENCE DECLARATION



Tel: +8 6382 4600  
Fax: +8 6382 4601  
www.bdo.com.au

38 Station Street  
Subiaco, WA 6008  
PO Box 700 West Perth WA 6872  
Australia

31 March 2011

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

Dear Sirs,

## DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF CARBINE RESOURCES LIMITED

As lead auditor of Carbine Resources Limited for the year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

**Brad McVeigh**  
Director

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

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# INDEPENDENT AUDITOR'S REPORT



Tel: +8 6382 4600  
Fax: +8 6382 4601  
www.bdo.com.au

38 Station Street  
Subiaco, WA 6008  
PO Box 700 West Perth WA 6872  
Australia

## 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 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the disclosing entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

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

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# INDEPENDENT AUDITOR'S REPORT



## Opinion

In our opinion:

- (a) the financial report of Carbine Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 27 of the directors' report for the year ended 31 December 2010. 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 2010 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'BDO' above 'SM by 1'.

Brad McVeigh  
Director

Perth, Western Australia  
Dated this 31<sup>st</sup> day of March 2011

# CORPORATE GOVERNANCE STATEMENT

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

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

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

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

## Role of the Board of Directors

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

The Board's key responsibilities are to:

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

# CORPORATE GOVERNANCE STATEMENT

## Board Structure and Composition

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

<b>Name</b>	<b>Position</b>	<b>Term in Office to the Date of this Statement</b>
Mr Ronald Sayers	Non-Executive Director	Full Year
Mr Evan Cranston	Non-Executive Director	Appointed 22 March 2010
Ms Aoife McGrath	Executive Director – Exploration	Appointed 22 March 2010
Dr Paul Kitto	Non-Executive Director	Appointed 22 March 2010

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

The Board is now 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.

It is the Board's intention to increase the size of the Board as the scale of activities develops.

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.

# CORPORATE GOVERNANCE STATEMENT

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

At present, the Company has not appointed a Chairman or Managing Director as it is considered the Company is not yet of a size which would necessitate such appointments and separation of these roles.

However, it is the Board's intention that separate individuals upon an appropriate phase in the Group's development being achieved hold these roles.

The Board together with the Company Secretary is responsible for supervising the management of the Group's business. This ensures the appropriate independent functioning of the Board and management. Given the current size and operations of the business, the Board currently undertakes an active, not passive role.

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

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

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

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

## Board and Management Effectiveness

Responsibility for the overall direction and management of Carbine, its corporate governance and the internal workings of Carbine rests with the Board 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.

# CORPORATE GOVERNANCE STATEMENT

## Financial Reporting

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

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

## Risk Management Policy

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

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

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

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

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

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

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

# CORPORATE GOVERNANCE STATEMENT

## Risk Evaluation and Control

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

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

In assessing and managing identified risks:

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

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

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

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

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

## Committees of the Board of Directors

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

# CORPORATE GOVERNANCE STATEMENT

## Remuneration Committee

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

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

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

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

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

The Remuneration Committee was formed on 15 December 2010. As such, no meetings were held during the Reporting Period.

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

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

# CORPORATE GOVERNANCE STATEMENT

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

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

## Audit and Audit Committee

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

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

## Role of Auditor

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

## Selection of External Auditor

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

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

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

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

# CORPORATE GOVERNANCE STATEMENT

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 30 June 2010.

## 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 Law.
- reporting to shareholders at annual general meetings on the Group's activities during the year. All shareholders that are unable to attend these meetings are encouraged to communicate issues or ask questions by writing to the Company.

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

## Matters for Approval by the Board of Directors

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

# CORPORATE GOVERNANCE STATEMENT

## 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 consultants 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 Law and ASX Listing Rules and adheres to these rules at all times.

# CORPORATE GOVERNANCE STATEMENT

## 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 three Non-Executive Directors and one Executive Director. Each Non-Executive Director is considered to be independent.</p> <ul style="list-style-type: none"> <li>The Board should establish a Nomination Committee.</li> </ul> <p>Given the Group's size, it is not considered necessary to have a separate Nomination Committee.</p> <p>However, the Company has established a Corporate Governance Policy specific to the Appointment of New Directors which provides guidelines for assessing the suitability of new directors.</p> <p>The skills, experience, expertise and period since appointment of each of the Group's directors are set out in the Group's Annual Report.</p> <p>If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a director then provided the director must first obtain approval for incurring such expense from the Chairman the Company will pay the reasonable expenses associated with obtaining such advice.</p> <p>During the Reporting Period, an evaluation of each of the Directors was undertaken, in accordance with the Group's Corporate Governance Policies relevant to the the evaluation of Executive and Non-Executive Directors.</p>	<p>Not applicable</p> <p>The Board, in consultation with external advisers and the Remuneration Committee undertakes this role.</p> <p>A separate policy for Selection and Appointment of New Directors has been adopted by the Board which provides for the proper assessment of prospective directors and include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Group's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities.</p>

# CORPORATE GOVERNANCE STATEMENT

Principle No	Best Practice Principle	Commentary	Mechanism for Dealing with Non-Compliance
3	Promote Ethical and Responsible Decision Making	The Company complies with this Principle.	Not applicable.
4	Safeguard Integrity in Financial Reporting	<p>The Company complies with this Principle. An Audit Committee was established during the financial period comprising two independent directors.</p> <p>The Audit Committee did not meet during the Reporting Period as it was formed after the lodgement of the 2009 Annual Report and the 2010 Half Yearly Report.</p>	Not applicable.
5	Make Timely and Balanced Disclosure	The Company complies with this Principle.	Not applicable.
6	Respect the Rights of Shareholders	The Company complies with this Principle.	Not applicable.
7	Recognise and Manage Risk	<p>The Company complies with this Principle.</p> <p>The Board of Directors has received a report from Management in relation to the effectiveness of the Group's management of the Group's material business risks.</p> <p>The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer (or their equivalents) that the declaration in relation to section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.</p>	Not Applicable
8	Remunerate Fairly and Responsibly	<p>The Company complies with this Principle.</p> <p>A Remuneration Committee was established during the Financial Year.</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 Directors are of the view that prior to the establishment of the Remuneration Committee, the Company was not of a size to justify a separate committee.</p> <p>However, the number of employees has increased together with the market capitalisation, creating a need for a separate committee.</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 28 March 2011.

### (a) Distribution of Fully Paid Ordinary Shares and Listed Options

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

Securities Spread of Holders	Ordinary Fully Paid Shares			Listed Options		
	Number of Holders	Number of Shares	% of Issued Shares	Number of Holders	Number of Options	% of Issued Options
1 - 1,000	13	5,350	0.01	5	3,481	0.01
1,001 - 5,000	101	330,792	0.32	20	70,658	0.20
5,001 - 10,000	136	1,209,860	1.16	24	265,126	0.75
10,001 - 100,000	550	20,803,031	19.91	93	4,109,456	11.57
100,001 and over	128	82,136,653	78.61	29	31,082,987	87.48
<b>Total</b>	<b>928</b>	<b>104,485,686</b>	<b>100.00</b>	<b>181</b>	<b>35,531,708</b>	<b>100.00</b>
<b>Number of shareholders holding less than a marketable parcel</b>	21	15,130	0.01			

# ADDITIONAL INFORMATION

## (b) Twenty Largest Holders

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

	Shareholder	Number Held	% of Issued Shares
1	HSBC Custody Nominees Australia Ltd	12,280,858	11.75
2	Kingslane Pty Ltd <Cranston Super Fund A/c>	6,228,749	5.96
3	JP Morgan Nominees Aust Ltd <Cash Income A/c>	3,744,440	3.58
4	Ablett Pty Ltd <David Edwards Family A/c>	3,250,000	3.11
5	Peter Reginald Kirkham <Kirkham Family A/c>	3,250,000	3.11
6	Nefco Nominees Pty Ltd	3,200,000	3.06
7	Kathryn Yule	2,350,000	2.25
8	PA Kitto & RE Shepherd <Kitto & Shepherd Super Fund A/c>	2,200,000	2.11
9	Citicorp Nominees Pty Ltd	1,911,760	1.83
10	Merrill Lynch Aust Nominees Pty Ltd	1,901,026	1.82
11	National Nominees Ltd	1,848,810	1.77
12	David Owen Phipps <Phipps Family A/c>	1,625,000	1.56
13	Aoife McGrath	1,500,000	1.44
14	Nebraska Pty Ltd <RG Sayers Family A/c>	1,350,000	1.29
15	Kingarth Pty Ltd	1,300,000	1.24
16	Nebraska Pty Ltd	1,150,000	1.10
17	Geoffrey M Hewett <Hewett Family A/c>	1,000,000	0.96
18	Talex Investments Pty Ltd	1,000,000	0.96
19	Francois Morou Ouedraogo	1,000,000	0.96
20	JP Morgan Nominees Aust Ltd	990,000	0.95
	<b>Total</b>	<b>53,080,643</b>	<b>50.81</b>

# ADDITIONAL INFORMATION

## (b) Twenty Largest Holders (Continued)

The names of the twenty largest holders of listed Options are:

	<b>Optionholder</b>	<b>Number Held</b>	<b>% of Issued Options</b>
1	Kingslane Pty Ltd <Cranston Super Fund A/c>	10,000,000	28.14
2	Kathryn Yule	3,162,500	8.90
3	Allied Gold Ltd	3,015,000	8.49
4	AG & ES Melville <Melville Family Super A/c>	3,000,000	8.44
5	Stuart Lloyd Phillips <Stuart Phillips Family A/c>	1,525,170	4.29
6	Keng Heng Goh <Keng Goh No. 1 A/c>	1,265,035	3.56
7	PA Kitto & RE Shepherd <Kitto & Shepherd Super Fund A/c>	1,250,000	3.52
8	William G & BM Martin <Chemco Super Fund A/c>	937,500	2.64
9	Katalin Ilona Torre	875,000	2.46
10	Kingarth Pty Ltd	650,000	1.83
11	Third Reef Pty Ltd <Back Reef A/c>	640,000	1.80
12	GH & BF Steemson <GH Steemson Family Super Fund A/c>	600,000	1.69
13	Kevin Anthony & L Leo <Leo Super Fund A/c>	546,053	1.54
14	Sarah Blieschke	500,000	1.41
15	Gregory John Munyard <GJ Munyard Family A/c>	490,000	1.38
16	T & Bola Van Schilfgaarde <T Van Schilfgaarde A/c>	423,000	1.19
17	Kevin Anthony & L Leo	341,654	0.96
18	Joshua Paul Welch	287,500	0.81
19	Ian & Peter R Thompson <Thompson Family Super Fund A/c>	250,000	0.70
20	Peter Patrick Torre	250,000	0.70
	<b>Total</b>	<b>30,008,412</b>	<b>84.45</b>

## (c) Quoted Securities

There are 104,485,686 ordinary fully paid shares and 35,531,708 options currently listed and trading on the Australian Securities Exchange. Each option issued entitles the holder to subscribe for one share at an exercise price of \$0.15 per share and are exercisable on or before 31 July 2011. There are no securities issued by the Company that are subject to restriction provisions.

## (d) Substantial Shareholders

<b>Name of Shareholder</b>	<b>Number of fully paid Ordinary shares held</b>	<b>Percentage of capital</b>
Kingslane Pty Ltd <Cranston Super Fund A/c>	6,228,749	5.96%
Blackrock Investment Management (Aust) Limited	6,435,726	6.15%

# ADDITIONAL INFORMATION

## (e) Voting Rights

### Fully Paid Ordinary Shares

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

## (f) Holders of Unquoted Securities

Holder	Exercise Price	Expiry Date	No. Options
PA Kitto & RE Shepherd <Kitto & Shepherd Super Fund>	30 cents	24 August 2013	1,000,000
PA Kitto & RE Shepherd <Kitto & Shepherd Super Fund>	40 cents	24 August 2013	1,000,000
Evan Cranston	30 cents	24 August 2013	1,000,000
Evan Cranston	40 cents	24 August 2013	1,000,000
Aoife McGrath	30 cents	27 August 2013	1,000,000
Aoife McGrath	40 cents	27 August 2013	1,000,000
Employee Options (subject to Employee Option Plan)	30 cents	2 September 2013	950,000
Employee Options (subject to Employee Option Plan)	40 cents	13 September 2013	750,000
Employee Options (subject to Employee Option Plan)	45 cents	6 October 2013	600,000
			<u>8,300,000</u>

## (g) Company Secretary

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

## (h) Registered Office

Suite 23  
513 Hay Street  
Subiaco WA 6008

**Telephone:** (08) 6142 0980

**Facsimile:** (08) 9388 8824

# ADDITIONAL INFORMATION

## (i) Schedule of Mining Tenements

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



*Wagande artisanal workings on Madougou Permit*



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**Registered Office**

Suite 23

513 Hay Street

Subiaco WA 6008

PO Box 1311

Subiaco WA 6904

**T:** (08) 6142 0986

**F:** (08) 9388 8824

**E:** [carbine@carbineresources.com.au](mailto:carbine@carbineresources.com.au)