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**QUARTERLY ACTIVITIES REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2021**

**REVIEW of OPERATIONS
GUNNEDAH BASIN COALBED METHANE PROJECT
PETROLEUM EXPLORATION LICENCES 1 AND 12, NSW (GUNNEDAH BASIN)**

These tenements are held by wholly owned subsidiary, Australian Coalbed Methane Pty Ltd (ACM) and are subject to a Joint Venture (JV) with Santos QNT Pty Ltd (Santos). Santos holds a 65% interest in the tenements and is the project Operator.

Field operations during the quarter included routine inspection and maintenance of existing wellheads, surface facilities and access tracks. Compilation of reviews of environmental factors for proposed new seismic surveys and core hole drilling sites were also conducted.

In December 2021, Operator Santos supplied a work program and budget for planned PEL 1 and 12 activities in calendar year 2022 that is currently being reviewed by ACM.

In the reporting period, the NSW government has advised Santos that the conditions of permit associated with PEL 1 and 12 renewal applications are being assessed by the relevant agencies and are expected to be supplied to the JV parties in the first quarter of 2022. Santos continues to liaise with the relevant agencies on this matter.

Exploration Expenditure Incurred

Exploration expenditure incurred during the quarter ended 31 December 2021 on the group's projects is set out below:-

Project	Amount Incurred
New South Wales PELs 1 & 12 (Gunnedah Basin)	\$46,499 =====

Schedule of Petroleum Tenements

<i>Tenement reference</i>	<i>Beneficial interest at beginning of quarter</i>	<i>Interests acquired/ (disposed) during the quarter</i>	<i>Farm-in or farm-out agreements entered into during the quarter</i>	<i>Beneficial interest at end of quarter</i>	<i>Holder</i>	<i>Location</i>	<i>Current to</i>
PEL 1	35% ¹	no changes	none	35% ¹	ACM	Gunnedah NSW	10/2/2015 ²
PEL 12	35% ¹	no changes	none	35% ¹	ACM	Bando NSW	26/9/2016 ²

Key to Tenement Types

PEL Petroleum Exploration Licence

Key to Tenement Holders

ACM Australian Coalbed Methane Pty Limited

Notes

1. PELs 1 and 12 are subject to a joint venture arrangement with Santos QNT Pty Ltd (“Santos”), in which Santos has a 65% interest in each tenement.
2. Application for renewal submitted.

Payments to related parties of the entity and their associates

Professional fees of \$37,400 for accounting and secretarial services were paid to Mitchell & Partners (Chartered Accountants), a firm of which S.J. Danielson (non-executive director) is a consultant and B.K. Lee (alternate director for S.J. Danielson) is a principal.

Authorised for release to ASX by the board.

Dated: 31 January 2022

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

CARBON MINERALS LIMITED

ABN

29 001 836 586

Quarter ended ("current quarter")

31 DECEMBER 2021

Consolidated statement of cash flows	Current quarter \$A	Year to date (12 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	8,306	39,669
1.2 Payments for		
(a) exploration & evaluation	(229,652)	(229,652)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(73,248)	(249,898)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2,483	12,465
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	(694)	(2,071)
1.9 Net cash from / (used in) operating activities	(292,805)	(429,487)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A	Year to date (12 months) \$A
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,245,335	3,382,017
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(292,805)	(429,487)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A	Year to date (12 months) \$A
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,952,530	2,952,530

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	106,431	101,693
5.2	Call deposits	2,846,099	3,143,642
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,952,530	3,245,335

6.	Payments to related parties of the entity and their associates	Current quarter \$A
6.1	Aggregate amount of payments to related parties and their associates included in item 1	37,400
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7.	Financing facilities	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	1,250,000	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	1,250,000	-
7.5	Unused financing facilities available at quarter end		1,250,000
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p>On 25 March 2020 the Company entered an unsecured loan facility agreement with Palmarc Investments Pty Limited (a company associated with Executive Chairman and CEO Marcus Lincoln Smith and Executive Director Raphael Lincoln Smith).</p> <p>The principal terms of the loan facility agreement are as follows:-</p> <ul style="list-style-type: none"> the Company may for a period of up to 5 years (subject to there being no change of control of the Company or default) draw down up to a total borrowing of \$1.25M; each drawdown is repayable within 12 months of the date of the advance, or earlier on change of control of the Company or default; interest rate is the bank bill rate; and the Company has the option to satisfy the repayment such loan(s), in whole or in part, by the issue (subject to and conditional on all necessary approvals of shareholders and no change of control of the Company or default) of fully paid ordinary shares of the Company at a price of not less than the volume weighted average price of fully paid ordinary shares on the Australian Securities Exchange (ASX) for the period of 1 month prior to the relevant repayment date or, if there is no such trading, not less than the last sale price prior to the relevant repayment date. <p>No additional financing facilities have been entered into or are proposed to be entered into after quarter end.</p>		

8.	Estimated cash available for future operating activities	\$A
8.1	Net cash from / (used in) operating activities (item 1.9)	(292,805)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(292,805)
8.4	Cash and cash equivalents at quarter end (item 4.6)	2,952,530
8.5	Unused finance facilities available at quarter end (item 7.5)	1,250,000
8.6	Total available funding (item 8.4 + item 8.5)	4,202,530
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	14
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022

Authorised by: The Board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.