

Carbon Minerals Limited

ABN 29 001 836 586 – ASX Code CRM
Seam Gas Pioneers of the Gunnedah Basin NSW
www.carbonminerals.com.au

HALF-YEAR REPORT
30 JUNE 2013

CARBON MINERALS LIMITED
A.B.N. 29 001 836 586

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Carbon Minerals Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2013.

Directors

The following persons were directors of Carbon Minerals Limited during the whole of the half-year and up to the date of this report:

M.P. Lincoln Smith
W.V. Annis-Brown
S.J. Danielson
B.K. Lee (alternate director for S.J. Danielson)

P.A. Lincoln Smith was a director from the beginning of the half-year until he passed away on 3 March 2013.

Operating Results

The consolidated loss of the consolidated entity for the half-year after income tax was \$767,584 (2012 half-year profit \$779,251).

Dividends

The directors report that during the half-year ended 30 June 2013 no dividends were declared or paid (2012 half-year: nil)

Review of Operations

Gunnedah Basin Coalbed Methane Project

Petroleum Exploration Licences Nos 1 and 12, NSW (Gunnedah Basin)

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

Field operations for both exploration and appraisal remained on hold throughout the reporting period. This is a consequence of the ongoing changes in administrative requirements for both the NSW and Commonwealth Governments as outlined in Carbon Minerals Quarterly Reports over the past 12 months. Through Operator Santos, the JV has engaged with the NSW Government with a number of submissions and enquiries in relation to the new requirements.

Operator Santos continues with its program of engagement with local communities and the broader public to provide information on the CSG industry and build community support for activities in the permits.

The two kilometre exclusion zone around residential areas will affect PELs 1 and 12 to a relatively minor extent by sterilising areas around townships. Compliance with new regulatory requirements will incur additional costs and time delays in obtaining approvals, but should also provide a robust basis to defend the right to operate should opposition to activities take place. The underlying requirement for NSW to secure gas supplies remains and the Company still regards the Gunnedah project to have a strong future. Work is continuing in obtaining approvals for exploration and appraisal works and in baseline environmental studies for both water and air quality.

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DIRECTORS' REPORT (Continued)

Review of Operations (Continued)

As noted in the previous annual report, renewal of PEL 12 was anticipated early in 2013. The renewal was approved by the Minister on 15 February 2013 for a further term until 26 September 2016.

The directors regretfully advise that the group's recently retired principal technical advisor, Malcolm (Mal) Bunny, passed away on 13 July 2013. Mr. Bunny, through his geological consultancy Earth Resources Australia Pty Limited, has provided Carbon Minerals and its controlled entities with technical advice from the inception of the Company until his retirement. The directors wish to acknowledge the important contribution made by Mr. Bunny during his long association with the group.

Following the sudden passing of P.A. Lincoln Smith on 3 March 2013, M.P. Lincoln Smith was appointed as CEO and elected as Chairman of the Board on 13 March 2013. Mr. P.A. Lincoln Smith had acted as Executive Chairman of the Board since 25 January 1980. His fellow directors wish to acknowledge his significant contribution to the development of the group during his term of office.

Auditors' independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

This report is made in accordance with a resolution of directors.



M.P. Lincoln Smith
Director

Sydney
13 September 2013



Auditor's Independence Declaration

As lead auditor for the review of Carbon Minerals Limited for the half-year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Carbon Minerals Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'J Richardson', is written over a horizontal line.

Justine Richardson
Partner
PricewaterhouseCoopers

Sydney
13 September 2013

CARBON MINERALS LIMITED
A.B.N. 29 001 836 586

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2013

	Half-year	
	2013	2012
	\$	\$
Revenue from continuing operations	311,526	550,661
Raw materials and consumables used	-	(3,267)
Exploration related expenses	(863,258)	-
Administration expenses	(214,974)	(183,414)
Write off of unrecoverable deposit	-	(6,000)
Other Expenses	(878)	(1,299)
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(Loss)/profit before income tax expense	(767,584)	356,681
Income tax benefit	-	422,570
(Loss)/profit from continuing operations	(767,584)	779,251
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(Loss)/profit for the half-year	(767,584)	779,251
	<hr/>	<hr/>
Total comprehensive (loss)/profit for the half-year	(767,584)	779,251
	<hr/>	<hr/>
(Loss)/profit attributable to:		
Owners of Carbon Minerals Limited	(767,584)	779,251
	<hr/>	<hr/>
Total comprehensive (loss)/profit for the half-year attributable to:		
Owners of Carbon Minerals Limited	(767,584)	779,251
	<hr/> <hr/>	<hr/> <hr/>
	Cents	Cents
(Loss)/earnings per share for (loss)/profit from continuing operations attributable to the ordinary equity holders of the company:		
Basic earnings per share	(4.08)	4.14
Diluted earnings per share	(4.08)	4.14
(Loss)/earnings per share for total comprehensive (loss)/profit attributable to the ordinary equity holders of the company:	(4.08)	4.14
Basic (loss)/earnings per share	(4.08)	4.14
Diluted (loss)/earnings per share		

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes on pages 8 to 11.

CARBON MINERALS LIMITED
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Notes	30 JUNE 2013 \$	31 DECEMBER 2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents		8,138,875	15,546,433
Receivables		194,201	192,686
Prepayments		649,344	-
Total Current Assets		8,982,420	15,739,119
Non-Current Assets			
Term Deposits	6	75,000	75,000
Property, plant and equipment		736,080	736,080
Exploration and evaluation expenditure	4	5,579,636	4,772,054
Total Non-Current Assets		6,390,716	5,583,134
Total Assets		15,373,136	21,322,253
LIABILITIES			
Current Liabilities			
Payables		2,344,901	5,396,747
Income tax payable		-	2,129,687
Total Current Liabilities		2,344,901	7,526,434
Total Liabilities		2,344,901	7,526,434
Net Assets		13,028,235	13,795,819
Equity			
Contributed equity		8,433,899	8,433,899
Retained profits		4,594,336	5,361,920
Capital and reserves attributable to the owners of Parent entity interest		13,028,235	13,795,819
Total Equity		13,028,235	13,795,819

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 8 to 11.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2013

Consolidated	Attributable to the owners of Carbon Minerals Limited		
	Contributed equity \$	Accumulated profits \$	Total \$
Balance at 1 January 2012	8,433,899	6,729,168	15,163,067
Total comprehensive profit for the half-year	-	779,251	779,251
Balance at 30 June 2012	8,433,899	7,508,419	15,942,318
Balance at 1 January 2013	8,433,899	5,361,920	13,795,819
Total comprehensive loss for the half-year	-	(767,584)	(767,584)
Balance at 30 June 2013	8,433,899	4,594,336	13,028,235

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 8 to 11.

CARBON MINERALS LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2013

	Half-year	
	2013	2012
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of Goods and Services Tax)	83,866	88,579
Interest received	235,544	395,086
Payments		
- to suppliers and employees (inclusive of goods and services tax)	(352,455)	(214,475)
- for exploration expenditure (inclusive of goods and services tax)	(5,244,826)	(115,575)
- income taxes paid	(2,129,687)	-
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Net cash (outflow)/inflow from operating activities	(7,407,558)	153,615
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(7,407,558)	153,615
Cash and cash equivalents at the beginning of the half-year	15,546,433	15,077,549
	<hr/>	<hr/>
Cash and cash equivalents at the end of the half-year	8,138,875	15,231,164
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The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

CARBON MINERALS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2013

NOTE 1 BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose financial report for the interim half-year reporting period ended 30 June 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2012 and any public announcements made by Carbon Minerals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

NOTE 2 SEGMENT INFORMATION

The group operates as a natural resources explorer and a primary producer in one geographical location, being Australia.

6 months to 30 June 2013	Natural resources exploration \$	Primary production \$	Total continuing operations \$	Total \$
Total segment revenue	311,526	-	311,526	311,526
Consolidated revenue			311,526	311,526
Segment result	(767,215)	(369)	(767,584)	(767,584)
Loss before income tax			(767,584)	(767,584)
Segment assets and liabilities				
30 June 2013				
Segment assets	15,004,815	368,321	15,373,136	15,373,136
Segment liabilities	2,344,901	-	2,344,901	2,344,901

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2013 (continued)

NOTE 2 SEGMENT INFORMATION (continued)

6 months to 30 June 2012	Natural resources exploration \$	Primary production \$	Total continuing operations \$	Total \$
Total segment revenue	550,661	-	550,661	550,661
Consolidated revenue			550,661	550,661
Segment result	360,527	(3,846)	356,681	356,681
Profit before income tax			356,681	356,681
Segment assets and liabilities 31 December 2012				
Segment assets	20,953,932	368,321	21,322,253	21,322,253
Segment liabilities	7,526,434	-	7,526,434	7,526,434

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

Exploration and evaluation expenditure

The group's projects are temporarily on hold pending further interpretation of new legislation and the changing political landscape. However, it is envisaged that the approaching expiry of interstate gas supply contracts and current low rates of gas production in NSW could lead to gas supply shortages in NSW in the near future. The group considers that the necessity to secure long-term gas supplies for NSW and further engagement with the community to promote confidence in the CSG industry will provide the impetus to develop and expand the group's CSG operations. The group confirms that active and significant operations will continue to be carried out on the CSG holdings. The Board will continue its assessment of the impact that any proposed new measures may have on the group's operations and the carrying value of the exploration and evaluation assets of \$5.6M. If, after having capitalised expenditure under our policy, we conclude that we are unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

Carried forward exploration and evaluation expenditures are disclosed in note 4 and relate primarily to capitalised exploration and evaluation costs from activities in the Gunnedah Basin.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2013 (continued)

NOTE 4 EXPLORATION AND EVALUATION EXPENDITURE

	30 JUNE 2013	31 DECEMBER 2012
	\$	\$
Cost brought forward	4,772,054	1,906,856
Expenditure incurred during the period	807,582	2,865,198
Expenditure written off during the period	-	-
Disposals	-	-
	<hr/>	<hr/>
Exploration cost carried forward	5,579,636	4,772,054
Provisions for impairment in value of capitalised expenditure	-	-
	<hr/>	<hr/>
Net exploration and evaluation expenditure carried forward	5,579,636	4,772,054

The above amounts represent costs of areas of interest carried forward as an asset and the group's share of costs under the arrangement with Santos QNT Pty Limited. The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and commercial exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect of the relevant area of interest, is not charged until a mining operation has commenced.

NOTE 5 RELATED PARTY TRANSACTIONS

(a) Controlling entity

The Company's ultimate controlling entity is Malewi Investments Pty Limited, incorporated in New South Wales, which owns 11.22% of Carbon Minerals Limited directly and a further 69.54% through other investments held.

(b) Directors

The names of each person holding the position of director of the Company during the half-year are P.A. Lincoln Smith (deceased 3 March 2013), M.P. Lincoln Smith, W.V. Annis-Brown, S.J. Danielson and B.K. Lee (alternate for S.J. Danielson). Professional fees of \$97,700 (half-year 2012: \$53,150) were payable to Mitchell & Partners (Chartered Accountants), a firm of which S.J. Danielson and B.K. Lee are principals. Also professional fees of \$16,740 (half-year 2012: Nil) were payable to Lincoln Smith & Company (Solicitors), a firm of which R.P. Lincoln Smith (son of P.A. Lincoln Smith) is a principal and which employs W.V. Annis-Brown.

(c) Terms and conditions

Transactions were made on normal commercial terms and conditions and at market rates.

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NOTE 6 CONTINGENCIES

Details and estimates of maximum amounts of contingent liabilities are as follows:

Secured guarantees exist in respect of mining tenements with the Department of Mineral Resources. These guarantees comprise deposits held with financial institutions on behalf of:

	30 JUNE 2013	31 DECEMBER 2012
	\$	\$
Guarantees		
Australian Coalbed Methane Pty Limited	75,000	75,000

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DIRECTORS' DECLARATION

In the directors' opinion:

- (a) The financial statements and notes set out on pages 4 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Carbon Minerals Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



M.P. Lincoln Smith
Director

Sydney
13 September 2013



Independent auditor's review report to the members of Carbon Minerals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Carbon Minerals Limited, which comprises the balance sheet as at 30 June 2013, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Carbon Minerals Limited Group (the consolidated entity). The consolidated entity comprises both Carbon Minerals Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Carbon Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Carbon Minerals Limited is not in accordance with the *Corporations Act 2001* including:

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- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Company for the half-year ended 30 June 2013 included on Carbon Minerals Limited's web site. The company's directors are responsible for the integrity of the Carbon Minerals Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Justine Richardson

Justine Richardson
Partner

13 September 2013