

# **Carbon Minerals Limited**

ABN 29 001 836 586 – ASX Code CRM  
*Seam Gas Pioneers of the Gunnedah Basin NSW*  
[www.carbonminerals.com.au](http://www.carbonminerals.com.au)

**HALF-YEAR FINANCIAL REPORT  
SIX MONTHS ENDED 30 JUNE 2014**

**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 2014.

**Directors**

The following persons were directors of Carbon Minerals Limited during 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)

**Operating Results**

The consolidated loss of the consolidated entity for the half-year after income tax was \$12,302 (2013 half-year: loss of \$767,584).

**Dividends**

The directors report that during the half-year ended 30 June 2014 no dividends were declared or paid (2013 half-year: nil)

**Review of Operations**

**Gunnedah Basin Coal-Seam-Gas Project**

**Petroleum Exploration Licences (PEL) 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), as previously advised. Santos has a 65% interest in the tenements and is the project Operator.)*

Apart from ongoing wellsite maintenance and rehabilitation at Kahlua and other exploration wells, field operations for both exploration and appraisal remained on hold throughout the reporting period. Joint Venture Operator Santos has continued with a range of activities and meetings relating to government, community, media, stakeholder and environmental matters.

A joint submission was made by industry bodies APPEA, the Business Council of Australia and the Mineral Council of Australia to the Commonwealth Government Standing Committee on the Environment inquiry into environmental regulation, "green tape" and "one stop shops" for environmental approvals.

Environmental work continues within PEL1 and 12 with baseline water quality monitoring and groundwater well assessments.

The NSW Environmental Protection Authority has granted an Environmental Protection Licence (EPL) for future work within PEL1 and 12. This sets out conditions for proposed works within these licences including the drilling of wells, the operation of gas infrastructure (wells, surface facilities, pipelines, flares etc), monitoring of fugitive emissions and general notification and reporting requirements. These conditions also require a Groundwater Monitoring and Management Plan to be submitted to and approved by EPA prior to recommencement of pilot well operations.

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

**DIRECTORS' REPORT (Continued)**

**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.

A handwritten signature in black ink, appearing to read 'M.P. Lincoln Smith', with a stylized flourish at the end.

M.P. Lincoln Smith  
Director

Sydney  
9 September 2014



## Auditor's Independence Declaration

As lead auditor for the review of Carbon Minerals Limited for the half-year ended 30 June 2014, 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 'Justine Richardson', is written over a light blue horizontal line.

Justine Richardson  
Partner  
PricewaterhouseCoopers

Sydney  
9 September 2014

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2014**

	<b>Half-year</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue from continuing operations</b>	<b>98,701</b>	311,526
Exploration related expenses	<b>(4,000)</b>	(863,258)
Administration expenses	<b>(106,073)</b>	(214,974)
Other expenses	<b>(930)</b>	(878)
	<hr/>	<hr/>
Loss before income tax expense	<b>(12,302)</b>	(767,584)
Income tax benefit	-	-
Loss from continuing operations	<b>(12,302)</b>	(767,584)
	<hr/>	<hr/>
<b>Loss for the half-year</b>	<b>(12,302)</b>	(767,584)
	<hr/>	<hr/>
<b>Total comprehensive loss for the half-year</b>	<b>(12,302)</b>	(767,584)
	<hr/>	<hr/>
<b>Loss attributable to:</b>		
<b>Owners of Carbon Minerals Limited</b>	<b>(12,302)</b>	(767,584)
	<hr/>	<hr/>
<b>Total comprehensive loss for the half-year attributable to:</b>		
<b>Owners of Carbon Minerals Limited</b>	<b>(12,302)</b>	(767,584)
	<hr/>	<hr/>
	<b>Cents</b>	<b>Cents</b>
<b>Loss per share for loss from continuing operations</b>		
<b>attributable to the ordinary equity holders of the company:</b>		
Basic earnings per share		
Diluted earnings per share	<b>(0.07)</b>	(4.08)
	<b>(0.07)</b>	(4.08)
<b>Loss per share for total comprehensive loss attributable to</b>		
<b>the ordinary equity holders of the company:</b>		
Basic loss per share		
Diluted loss per share	<b>(0.07)</b>	(4.08)
	<b>(0.07)</b>	(4.08)

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

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014**

	Notes	30 JUNE 2014 \$	31 DECEMBER 2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		5,997,103	5,760,072
Term Deposits	6	65,000	-
Receivables		33,611	177,891
Prepayments		-	417,669
		6,095,714	6,355,632
<b>Total Current Assets</b>			
<b>Non-Current Assets</b>			
Term Deposits	6	10,000	75,000
Property, plant and equipment		736,080	736,080
Exploration and evaluation expenditure	4	6,291,122	5,866,401
		7,037,202	6,677,481
<b>Total Non-Current Assets</b>			
		13,132,916	13,033,113
<b>Total Assets</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables		189,108	77,003
		189,108	77,003
<b>Total Current Liabilities</b>			
		189,108	77,003
<b>Total Liabilities</b>			
		12,943,808	12,956,110
<b>Net Assets</b>			
<b>Equity</b>			
Contributed equity		8,433,899	8,433,899
Retained profits		4,509,909	4,522,211
Capital and reserves attributable to the owners of Parent entity interest		12,943,808	12,956,110
		12,943,808	12,956,110
<b>Total Equity</b>			

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

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2014**

<b>Consolidated</b>	<b>Attributable to the owners of Carbon Minerals Limited</b>		
	<b>Contributed equity</b> \$	<b>Accumulated profits</b> \$	<b>Total</b> \$
<b>Balance at 1 January 2013</b>	<b>8,433,899</b>	<b>5,361,920</b>	<b>13,795,819</b>
Total comprehensive loss for the half-year	-	(767,584)	(767,584)
<b>Balance at 30 June 2013</b>	<b>8,433,899</b>	<b>4,594,336</b>	<b>13,028,235</b>
<b>Balance at 1 January 2014</b>	<b>8,433,899</b>	<b>4,522,211</b>	<b>12,956,110</b>
Total comprehensive loss for the half-year	-	(12,302)	(12,302)
<b>Balance at 30 June 2014</b>	<b>8,433,899</b>	<b>4,509,909</b>	<b>12,943,808</b>

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**  
**A.B.N. 29 001 836 586**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2014**

	<b>Half-year</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of Goods and Services Tax)	<b>158,121</b>	83,866
Interest received	<b>98,687</b>	235,544
Payments		
- to suppliers and employees (inclusive of goods and services tax)	<b>(155,289)</b>	(352,455)
- for exploration expenditure (inclusive of goods and services tax)	<b>135,512</b>	(5,244,826)
- income taxes paid	<b>-</b>	(2,129,687)
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>237,031</b>	<b>(7,407,558)</b>
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>237,031</b>	<b>(7,407,558)</b>
Cash and cash equivalents at the beginning of the half-year	<b>5,760,072</b>	15,546,433
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the half-year</b>	<b>5,997,103</b>	<b>8,138,875</b>
	<hr/>	<hr/>

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2014**

**NOTE 1 BASIS OF PREPARATION OF HALF-YEAR REPORT**

This general purpose financial report for the interim half-year reporting period ended 30 June 2014 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 2013 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.

<b>6 months to 30 June 2014</b>	Natural resources exploration \$	Primary production \$	Total continuing operations \$	Total \$
<b>Total segment revenue</b>	<b>98,701</b>	-	<b>98,701</b>	<b>98,701</b>
<b>Consolidated revenue</b>			<b>98,701</b>	<b>98,701</b>
<b>Segment result</b>	<b>(11,907)</b>	<b>(395)</b>	<b>(12,302)</b>	<b>(12,302)</b>
<b>Loss before income tax</b>			<b>(12,302)</b>	<b>(12,302)</b>
<b>Segment assets and liabilities</b>				
<b>30 June 2014</b>				
Segment assets	12,764,595	368,321	13,132,916	13,132,916
Segment liabilities	189,108	-	189,108	189,108

**CARBON MINERALS LIMITED**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2014 (continued)**

**NOTE 2 SEGMENT INFORMATION (continued)**

<b>6 months to 30 June 2013</b>	Natural resources exploration \$	Primary production \$	Total continuing operations \$	Total \$
<b>Total segment revenue</b>	<b>311,526</b>	-	<b>311,526</b>	<b>311,526</b>
<b>Consolidated revenue</b>			<b>311,526</b>	<b>311,526</b>
<b>Segment result</b>	<b>(767,215)</b>	<b>(369)</b>	<b>(767,584)</b>	<b>(767,584)</b>
<b>Loss before income tax</b>			<b>(767,584)</b>	<b>(767,584)</b>
<b>Segment assets and liabilities</b>				
<b>31 December 2013</b>				
Segment assets	12,664,792	368,321	13,033,113	13,033,113
Segment liabilities	77,003	-	77,003	77,003

**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**

Certain exploration and evaluation expenditure is capitalised where it is considered likely that the expenditure will be recovered by future exploitation or sale, or where activities have not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves. This process necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether economically viable extraction operations can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy it is concluded unlikely that the expenditure will be recovered by future exploitation or sale, the relevant amount capitalised is 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.

**CARBON MINERALS LIMITED**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2014 (continued)**

**NOTE 4 EXPLORATION AND EVALUATION EXPENDITURE**

	<b>30 JUNE 2014</b>	31 DECEMBER 2013
	\$	\$
Cost brought forward	<b>5,866,401</b>	4,772,054
Expenditure incurred during the period	<b>424,721</b>	1,094,347
Expenditure written off during the period	-	-
Disposals	-	-
	<hr/>	<hr/>
Exploration and evaluation cost carried forward	<b>6,291,122</b>	5,866,401
Provisions for impairment in value of capitalised expenditure	-	-
	<hr/>	<hr/>
Net exploration and evaluation expenditure carried forward	<b>6,291,122</b>	5,866,401
	<hr/> <hr/>	<hr/> <hr/>

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 indirectly owns 57.28% of Carbon Minerals Limited.

**(b) Directors**

The names of each person holding the position of director of the Company during the half-year are M.P. Lincoln Smith, W.V. Annis-Brown, S.J. Danielson and B.K. Lee (alternate for S.J. Danielson). Professional fees of \$72,500 (half-year 2013: \$97,700) were payable to Mitchell & Partners (Chartered Accountants), a firm of which S.J. Danielson and B.K. Lee are principals. Also professional fees of \$nil (half-year 2013: \$16,740) were payable to Lincoln Smith & Company (Solicitors), a firm which employs W.V. Annis-Brown.

**(c) Terms and conditions**

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

**CARBON MINERALS LIMITED**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2014 (continued)**

**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:

	<b>30 JUNE 2014</b>	31 DECEMBER 2013
	\$	\$
<b>Guarantees</b>		
Australian Coalbed Methane Pty Limited	<u><b>75,000</b></u>	<u>75,000</u>

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

**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 2014 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  
9 September 2014



## **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 (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Carbon Minerals Limited (the consolidated entity). The consolidated entity comprises 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 Australian 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 2014 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*.

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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*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:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'J Richardson', written over the printed name.

Justine Richardson  
Partner

Sydney  
9 September 2014