

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 FINANCIAL REPORT SIX MONTHS ENDED 30 JUNE 2017

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 2017.

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 \$139,990 (2016 half-year: loss of \$103,879).

Dividends

The directors report that during the half-year ended 30 June 2017 no dividends were declared or paid (2016 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). Santos holds a 65% interest in the tenements and is the project Operator.

Field operations have remained limited to routine inspection and maintenance of existing wellheads, surface facilities and access tracks.

Operator Santos has submitted various statutory reports to the Regulator in accordance with requirements and continues to be proactive in consulting with the local community including business groups, landholders and media.

To date, no advice has been received from the NSW government regarding the progress of the renewal applications for PELs 1 and 12.

Company personnel and advisors conducted a site inspection of the Gunnedah Basin tenements in July 2017. All surface infrastructure appeared to be in good order and well maintained.

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.

CARBON MINERALS LIMITED

A.B.N. 29 001 836 586

DIRECTORS' REPORT (Continued)

Rounding of amounts

The company has relied on the relief provided by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest dollar in accordance with that instrument.

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

A handwritten signature in black ink, appearing to read 'M.P. Lincoln Smith', written over a horizontal line.

M.P. Lincoln Smith
Director

Sydney
1 September 2017



Auditor's Independence Declaration

As lead auditor for the review of Carbon Minerals Limited for the half-year ended 30 June 2017, 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 blue ink, appearing to read "Upcroft", written over the printed name.

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
1 September 2017

CARBON MINERALS LIMITED

A.B.N. 29 001 836 586

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2017**

	HALF-YEAR	
	2017	2016
	\$	\$
Revenue from continuing operations	56,757	75,595
Impairment of non-current assets	(105,994)	(77,608)
Exploration related expenses	-	(3,910)
Administration expenses	(89,375)	(96,727)
Other expenses	(1,378)	(1,229)
	<hr/>	<hr/>
Loss before income tax expense	(139,990)	(103,879)
Income tax benefit	-	-
Loss from continuing operations	(139,990)	(103,879)
	<hr/>	<hr/>
Loss for the half-year	(139,990)	(103,879)
	<hr/>	<hr/>
Total comprehensive loss for the half-year	(139,990)	(103,879)
	<hr/>	<hr/>
Loss attributable to:		
Owners of Carbon Minerals Limited	(139,990)	(103,879)
	<hr/>	<hr/>
Total comprehensive loss for the half-year attributable to:		
Owners of Carbon Minerals Limited	(139,990)	(103,879)
	<hr/>	<hr/>
	Cents	Cents
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company:		
Basic loss per share	(0.74)	(0.55)
Diluted loss per share	(0.74)	(0.55)
Loss per share for total comprehensive loss attributable to the ordinary equity holders of the company:		
Basic loss per share	(0.74)	(0.55)
Diluted loss per share	(0.74)	(0.55)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes on pages 8 to 12.

CARBON MINERALS LIMITED

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	Note	30 JUNE 2017 \$	31 DECEMBER 2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents		4,776,431	4,780,157
Term Deposits	6	75,000	75,000
Receivables		7,361	31,776
Total Current Assets		4,858,792	4,886,933
Non-Current Assets			
Property, plant and equipment		736,080	736,080
Exploration and evaluation expenditure	4	-	-
Total Non-Current Assets		736,080	736,080
Total Assets		5,594,872	5,623,013
LIABILITIES			
Current Liabilities			
Payables		265,817	153,968
Total Current Liabilities		265,817	153,968
Total Liabilities		265,817	153,968
Net Assets		5,329,055	5,469,045
Equity			
Contributed equity		8,433,899	8,433,899
Accumulated losses		(3,104,844)	(2,964,854)
Capital and reserves attributable to the owners of Parent entity interest		5,329,055	5,469,045
Total Equity		5,329,055	5,469,045

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 8 to 12.

CARBON MINERALS LIMITED

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2017**

Consolidated	Attributable to the owners of Carbon Minerals Limited		
	Contributed equity \$	Accumulated losses \$	Total \$
Balance at 1 January 2016	8,433,899	(2,747,177)	5,686,722
Total comprehensive loss for the half-year	-	(103,879)	(103,879)
Balance at 30 June 2016	8,433,899	(2,851,056)	5,582,843
Balance at 1 January 2017	8,433,899	(2,964,854)	5,469,045
Total comprehensive loss for the half-year	-	(139,990)	(139,990)
Balance at 30 June 2017	8,433,899	(3,104,844)	5,329,055

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 8 to 12.

CARBON MINERALS LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

	HALF-YEAR	
	2017	2016
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	13,559	14,708
Interest received	77,116	51,317
Payments		
- to suppliers and employees (inclusive of goods and services tax)	(94,401)	(158,159)
- for exploration expenditure (inclusive of goods and services tax)	-	(81,518)
Net cash outflow from operating activities	(3,726)	(173,652)
Net decrease in cash and cash equivalents	(3,726)	(173,652)
Cash and cash equivalents at the beginning of the half-year	4,780,157	4,994,205
Cash and cash equivalents at the end of the half-year	4,776,431	4,820,553

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 2017**

NOTE 1 BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose financial report for the interim half-year reporting period ended 30 June 2017 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 2016 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 and the adoption of new and amended standards as set out below:

(a) New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period. However, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) Impact of standards issued but not yet applied by the entity

(i) AASB 9 Financial instruments

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The group is currently assessing whether it should adopt AASB 9 before its mandatory date. However, the group does not expect the new guidance to have a significant impact on the group.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

(ii) AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for the first interim period within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

Management is currently assessing the effects of applying the new standard on the group's financial statements. However, the group does not expect the new standard to have a significant impact on the group. The group does not expect to adopt the new standard before 1 January 2018.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017 (continued)

NOTE 1 BASIS OF PREPARATION OF HALF-YEAR REPORT (continued)

(iii) AASB 16 Leases

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

As at the reporting date, the group does not have any leases. The group does not expect the new standard to have a significant impact on the group.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.

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 2017	Natural resources exploration \$	Primary production \$	Total continuing operations \$	Total \$
Total segment revenue	56,757	-	56,757	56,757
Consolidated revenue			56,757	56,757
Segment result	(139,301)	(689)	(139,990)	(139,990)
Loss before income tax			(139,990)	(139,990)
Segment assets and liabilities 30 June 2017				
Segment assets	5,226,551	368,321	5,594,872	5,594,872
Segment liabilities	265,817	-	265,817	265,817

CARBON MINERALS LIMITED**A.B.N. 29 001 836 586****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017 (continued)****NOTE 2 SEGMENT INFORMATION (continued)**

6 months to 30 June 2016	Natural resources exploration \$	Primary production \$	Total continuing operations \$	Total \$
Total segment revenue	75,595	-	75,595	75,595
Consolidated revenue			75,595	75,595
Segment result	(103,335)	(544)	(103,879)	(103,879)
Loss before income tax			(103,879)	(103,879)
Segment assets and liabilities 30 June 2016				
Segment assets	5,297,787	368,321	5,666,108	5,666,108
Segment liabilities	83,265	-	83,265	83,265

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.

The directors note that PELs 1 and 12 expired on 10 February 2015 and 26 September 2016, respectively. Applications for the renewal of the titles have been lodged and under the NSW Petroleum (Onshore) Act 1991 the tenure remains in force. The directors believe there is no impediment to the renewals being granted.

CARBON MINERALS LIMITED**A.B.N. 29 001 836 586****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017 (continued)****NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

A current agreed program of works which has been approved by the NSW Office of Coal Seam Gas is in place and is in various stages of implementation.

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.

NOTE 4 EXPLORATION AND EVALUATION EXPENDITURE

	30 JUNE 2017	31 DECEMBER 2016
	\$	\$
Carrying amount brought forward	7,294,318	7,142,265
Expenditure incurred during the period	105,994	152,053
Expenditure written off during the period	-	-
Disposals	-	-
	<hr/>	<hr/>
Exploration and evaluation cost carried forward	7,400,312	7,294,318
Provisions for impairment in value of capitalised expenditure	<hr/> (7,400,312) <hr/>	<hr/> (7,294,318) <hr/>
Net exploration and evaluation expenditure carried forward	<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.

The carrying amounts of the group's exploration and evaluation assets are reviewed at each reporting date to determine whether there is any indication of impairment. The impairment charge of \$7.4M noted above primarily results from the ongoing decline in oil/gas prices. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made. The recoverable amount of the group's exploration and evaluation assets are based on its fair value less costs of disposal. The recoverable amount of the group's exploration and evaluation assets is nil.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017 (continued)**

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 \$52,400 (half-year 2016: \$58,100) were payable to Mitchell & Partners (Chartered Accountants), a firm of which S.J. Danielson is a consultant and B.K. Lee is a principal.

(c) Terms and conditions

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

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 2017	31 DECEMBER 2016
	\$	\$
Guarantees		
Australian Coalbed Methane Pty Limited	75,000	75,000

NOTE 7 ROUNDING OF AMOUNTS

The company has relied on the relief provided by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest dollar in accordance with that instrument.

CARBON MINERALS LIMITED

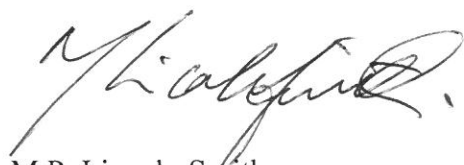
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DIRECTORS' DECLARATION

In the directors' opinion:

- (a) The financial statements and notes set out on pages 4 to 12 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 2017 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
1 September 2017



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 statement of financial position as at 30 June 2017, the statement of changes in equity, statement of cash flows and statement of profit or loss and other comprehensive income 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 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 half-year 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 2017 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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1. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


PricewaterhouseCoopers


Marc Upcroft
Partner

Sydney
1 September 2017