

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 2018

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 2018.

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)

R.P. Lincoln Smith was appointed as a director on 30 January 2018 and continues in office at the date of this report.

Operating Results

The consolidated loss of the consolidated entity for the half-year after income tax was \$121,160 (2017 half-year: loss of \$139,990).

Dividends

The directors report that during the half-year ended 30 June 2018 no dividends were declared or paid (2017 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.

Post balance date events

On 13 July 2018 the Directors of Carbon Minerals forgave the debts owed to the company by wholly owned subsidiaries Linger & Die Gold Pty Limited: \$292,313 (2017: \$292,313); and Websters Find Gold Pty Limited: \$506,853 (2017: \$506,853). The debts are considered to be unrecoverable and a provision for impairment of the total amount of the debts has been made in the financial statements of Carbon Minerals (parent entity). The debts owed by the subsidiaries and the provision for impairment of the debts are eliminated in the consolidated financial statements of the Group and therefore have no impact on the Group's financial statements.

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.

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.



M.P. Lincoln Smith
Director

Sydney
11 September 2018



Auditor's Independence Declaration

As lead auditor for the review of Carbon Minerals Limited for the half-year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. 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.


Marc Upercroft
Partner

Sydney
11 September 2018

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2018

	HALF-YEAR	
	2018	2017
	\$	\$
Revenue from continuing operations	52,260	56,757
Impairment of non-current assets	(73,217)	(105,994)
Administration expenses	(98,753)	(89,375)
Other expenses	(1,450)	(1,378)
	<hr/>	<hr/>
Loss before income tax expense	(121,160)	(139,990)
Income tax benefit	-	-
Loss from continuing operations	(121,160)	(139,990)
	<hr/>	<hr/>
Loss for the half-year	(121,160)	(139,990)
	<hr/>	<hr/>
Total comprehensive loss for the half-year	(121,160)	(139,990)
	<hr/>	<hr/>
Loss attributable to:		
Owners of Carbon Minerals Limited	(121,160)	(139,990)
	<hr/>	<hr/>
Total comprehensive loss for the half-year attributable to:		
Owners of Carbon Minerals Limited	(121,160)	(139,990)
	<hr/> <hr/>	<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	(0.64)	(0.74)
Diluted loss per share	(0.64)	(0.74)
Loss per share for total comprehensive loss attributable to the ordinary equity holders of the company:		
Basic loss per share	(0.64)	(0.74)
Diluted loss per share	(0.64)	(0.74)

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	30 JUNE 2018 \$	31 DECEMBER 2017 \$
ASSETS			
Current Assets			
Cash and cash equivalents		4,447,537	4,535,560
Term Deposits	6	75,000	75,000
Receivables		18,296	14,604
		4,540,833	4,625,164
Total Current Assets			
Non-Current Assets			
Property, plant and equipment		736,080	736,080
Exploration and evaluation expenditure	4	-	-
		736,080	736,080
Total Non-Current Assets			
		5,276,913	5,361,244
Total Assets			
LIABILITIES			
Current Liabilities			
Payables		209,102	172,273
		209,102	172,273
Total Current Liabilities			
		209,102	172,273
Total Liabilities			
		5,067,811	5,188,971
Net Assets			
		5,067,811	5,188,971
Equity			
Contributed equity		8,433,899	8,433,899
Accumulated losses		(3,366,088)	(3,244,928)
		5,067,811	5,188,971
Capital and reserves attributable to the owners of Parent entity interest			
		5,067,811	5,188,971
Total Equity			
		5,067,811	5,188,971

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 2018

Consolidated	Attributable to the owners of Carbon Minerals Limited		
	Contributed equity	Accumulated losses	Total
	\$	\$	\$
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
Balance at 1 January 2018	8,433,899	(3,244,928)	5,188,971
Total comprehensive loss for the half-year	-	(121,160)	(121,160)
Balance at 30 June 2018	8,433,899	(3,366,088)	5,067,811

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 2018

	HALF-YEAR	
	2018	2017
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	4,554	13,559
Interest received	52,588	77,116
Payments		
- to suppliers and employees (inclusive of goods and services tax)	(109,069)	(94,401)
- for exploration expenditure (inclusive of goods and services tax)	(36,096)	-
	<hr/>	<hr/>
Net cash outflow from operating activities	(88,023)	(3,726)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(88,023)	(3,726)
Cash and cash equivalents at the beginning of the half-year	4,535,560	4,780,157
	<hr/>	<hr/>
Cash and cash equivalents at the end of the half-year	4,447,537	4,776,431
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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 2018

NOTE 1 BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose financial report for the interim half-year reporting period ended 30 June 2018 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 2017 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 and methods of computation 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 the following standards:

- *AASB 9 Financial Instruments*
- *AASB 15 Revenue from Contracts with Customers*

The adoption of these standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

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

(i) 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. The group does not intend to adopt the standard before its effective date.

CARBON MINERALS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2018 (continued)

NOTE 2 SEGMENT INFORMATION

The chief operating decision maker has considered the requirements of AASB 8, Operating Segments, and has concluded that, during the half-year ended 30 June 2018, the Group has two reportable segments, as described below:

- Natural resources exploration
- Primary production

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group has no revenue related to exploration activities. Interest income is allocated to the natural resources exploration segment because interest is earned on funds held pending utilisation for exploration expenditure. This is consistent with the Group's accounting policies for the previous financial period.

Primary production activities are secondary to the exploration activities and are carried out only on land not currently used for exploration activities. Primary production activities have been disrupted due to the continuing drought in New South Wales. Activities will resume as and when drought conditions cease.

Half-year 2018	Natural resources exploration \$	Primary production \$	Total \$
Total segment revenue	52,260	-	52,260
Inter-segment revenue	-	-	-
Revenue from external customers	-	-	-
Interest income	52,260	-	52,260
Results			
Operating loss before income tax	(120,508)	(652)	(121,160)
Half-year 2017			
Total segment revenue	56,757	-	56,757
Inter-segment revenue	-	-	-
Revenue from external customers	-	-	-
Interest income	56,757	-	56,757
Results			
Operating loss before income tax	(139,301)	(689)	(139,990)
Total Segment assets			
30 June 2018	4,908,592	368,321	5,276,913
31 December 2017	4,992,923	368,321	5,361,244
Total Segment liabilities			
30 June 2018	209,102	-	209,102
31 December 2017	172,273	-	172,273

CARBON MINERALS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2018 (continued)

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.

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 2018	31 DECEMBER 2017
	\$	\$
Cost brought forward	7,503,090	7,294,318
Expenditure incurred	73,217	208,772
Expenditure written off	-	-
Disposals	-	-
	<hr/>	<hr/>
Exploration and evaluation cost carried forward	7,576,307	7,503,090
Provisions for impairment in value of capitalised expenditure	(7,576,307)	(7,503,090)
Net exploration and evaluation expenditure carrying amount	<hr/> - <hr/>	<hr/> - <hr/>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2018 (continued)

NOTE 4 EXPLORATION AND EVALUATION EXPENDITURE (continued)

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 \$7.576M 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.

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). R.P. Lincoln Smith was appointed as a director on 30 January 2018.

Professional fees of \$59,500 (half-year 2017: \$52,400) were payable to Mitchell & Partners (Chartered Accountants), a firm of which S.J. Danielson is a consultant and B.K. Lee is a principal.

Lincoln Smith & Company (Solicitors) provides legal advice to the Group. R.P. Lincoln Smith is a principal of the firm and contracts the services of W.V. Annis-Brown. No fees were payable to Lincoln Smith & Company (half-year 2017: Nil).

(c) Terms and conditions

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2018 (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:

	30 JUNE 2018	31 DECEMBER 2017
	\$	\$
Guarantees		
Australian Coalbed Methane Pty Limited	<u>75,000</u>	<u>75,000</u>

NOTE 7 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 13 July 2018 the Directors of Carbon Minerals forgave the debts owed to the company by wholly owned subsidiaries Linger & Die Gold Pty Limited: \$292,313 (2017: \$292,313); and Websters Find Gold Pty Limited: \$506,853 (2017: \$506,853). The debts are considered to be unrecoverable and a provision for impairment of the total amount of the debts has been made in the financial statements of Carbon Minerals (parent entity). The debts owed by the subsidiaries and the provision for impairment of the debts are eliminated in the consolidated financial statements of the Group and therefore have no impact on the Group's financial statements.

NOTE 8 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
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 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 2018 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
11 September 2018



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 2018, 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, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Carbon Minerals Limited. The group 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 group's financial position as at 30 June 2018 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*.

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:

1. giving a true and fair view of the group's financial position as at 30 June 2018 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*.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers' in a cursive style.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Marc Upcroft' in a cursive style.

Marc Upcroft
Partner

Sydney
11 September 2018