



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 2020

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

HALF-YEAR FINANCIAL REPORT
SIX MONTHS ENDED 30 JUNE 2020

Contents	Page
Directors' report	1
Auditor's independence declaration	3
Consolidated statement of comprehensive income	4
Consolidated statement of financial position	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes to the financial statements	8
Directors' declaration	14
Independent auditor's review report to the members	15

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 2020.

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
R.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 \$201,948 (2019 half-year: loss of \$136,214).

Dividends

The directors report that during the half-year ended 30 June 2020 no dividends were declared or paid (2019 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 in the reporting period have remained limited to routine inspection and maintenance of existing wellheads, surface facilities and access tracks.

ACM CEO Dr Marcus Lincoln Smith visited the Glasserton Property and the Kahlua Pilot site on 14 July 2020. A crop of wheat has been planted on the arable portion of Glasserton and, weather permitting, will yield a small income for Carbon Minerals following harvesting expected in November 2020. All exploration infrastructure appeared in good standing at both Glasserton and Kahlua.

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.

No advice has been received from the NSW government regarding the progress of the renewal applications for PELs 1 and 12 in the reporting period.

Financial Position

At 30 June 2020 cash was \$3,719,527 (half-year 2019: \$4,098,898) and current liabilities were \$211,818 (half-year 2019: \$187,427). The reduction in cash is chiefly due to the payment of exploration and evaluation expenditure creditors and administration expenses during the period.

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

DIRECTORS' REPORT (continued)

Financial Position (continued)

The Group (being Carbon Minerals Limited and its subsidiary Australian Coalbed Methane Pty Limited) has adequate cash reserves to fund its continued participation in the joint arrangement with Santos for the foreseeable future. Budgeted expenditure commitments for the next 12 months, from the period ending 30 June 2020, for ACM's 35% share are \$3.465M. Please refer to Note 5 for further information on future exploration expenditure commitments.

Matters subsequent to the end of the financial period

The emergence of COVID-19 and the implementation of government measures in relation to it are continually evolving. The directors have considered possible effects on the Company's financial condition and as at the date of this report do not expect there to be a material impact.

Primary production activities were resumed in July 2020, following the easing of drought conditions in New South Wales.

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
28 August 2020



Auditor's Independence Declaration

As lead auditor for the review of Carbon Minerals Limited for the half-year ended 30 June 2020, 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 'Ben Meacock', with a long horizontal stroke extending to the right.

Ben Meacock
Partner
PricewaterhouseCoopers

Sydney
28 August 2020

PricewaterhouseCoopers, ABN 52 780 433 757

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CARBON MINERALS LIMITED
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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2020**

	HALF-YEAR	
	2020	2019
	\$	\$
Revenue from continuing operations	27,414	48,209
Impairment of non-current assets	(81,471)	(96,381)
Administration expenses	(146,681)	(86,860)
Other expenses	(1,210)	(1,182)
Loss before income tax expense	(201,948)	(136,214)
Income tax benefit	-	-
Loss from continuing operations	(201,948)	(136,214)
Loss for the half-year	(201,948)	(136,214)
Total comprehensive loss for the half-year	(201,948)	(136,214)
Loss attributable to:		
Owners of Carbon Minerals Limited	(201,948)	(136,214)
Total comprehensive loss for the half-year attributable to:		
Owners of Carbon Minerals Limited	(201,948)	(136,214)
	Cents	Cents
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company:		
Basic loss per share	(1.07)	(0.72)
Diluted loss per share	(1.07)	(0.72)
Loss per share for total comprehensive loss attributable to the ordinary equity holders of the company:		
Basic loss per share	(1.07)	(0.72)
Diluted loss per share	(1.07)	(0.72)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes on pages 8 to 13.

CARBON MINERALS LIMITED
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	30 JUNE 2020 \$	31 DECEMBER 2019 \$
ASSETS			
Current Assets			
Cash and cash equivalents		3,719,527	3,894,901
Term Deposits	7	75,000	75,000
Receivables		15,772	13,259
Total Current Assets		3,810,299	3,983,160
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		4,546,379	4,719,240
LIABILITIES			
Current Liabilities			
Payables		211,818	182,731
Total Current Liabilities		211,818	182,731
Total Liabilities		211,818	182,731
Net Assets		4,334,561	4,536,509
Equity			
Contributed equity		8,433,899	8,433,899
Accumulated losses		(4,099,338)	(3,897,390)
Capital and reserves attributable to the owners of Parent entity interest		4,334,561	4,536,509
Total Equity		4,334,561	4,536,509

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 8 to 13.

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A.B.N. 29 001 836 586

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2020**

Consolidated	Attributable to the owners of Carbon Minerals Limited		
	Contributed equity	Accumulated losses	Total
	\$	\$	\$
Balance at 1 January 2019	8,433,899	(3,563,564)	4,870,335
Total comprehensive loss for the half-year	-	(136,214)	(136,214)
Balance at 30 June 2019	8,433,899	(3,699,778)	4,734,121
Balance at 1 January 2020	8,433,899	(3,897,390)	4,536,509
Total comprehensive loss for the half-year	-	(201,948)	(201,948)
Balance at 30 June 2020	8,433,899	(4,099,338)	4,334,561

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 8 to 13.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2020

	HALF-YEAR	
	2020	2019
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	11,269	8,192
Interest received	27,263	49,815
Payments		
- to suppliers and employees (inclusive of goods and services tax)	(132,742)	(137,364)
- for exploration expenditure (inclusive of goods and services tax)	(81,164)	(203,658)
Net cash outflow from operating activities	(175,374)	(283,015)
Net decrease in cash and cash equivalents	(175,374)	(283,015)
Cash and cash equivalents at the beginning of the half-year	3,894,901	4,381,913
Cash and cash equivalents at the end of the half-year	3,719,527	4,098,898

The above consolidated cash flow statement should be read in conjunction with the accompanying notes on pages 8 to 13.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020**

NOTE 1 BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose financial report for the interim half-year reporting period ended 30 June 2020 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 2019 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 standard:

- *AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material*

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollar (\$), which is Carbon Minerals Limited's functional and presentation currency.

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 2020, 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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020 (continued)**

NOTE 2 SEGMENT INFORMATION (continued)

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, but have resumed now that drought conditions have ceased.

Half-year 2020	Natural resources exploration \$	Primary production \$	Total \$
Total segment revenue	27,414	-	27,414
Inter-segment revenue	-	-	-
Revenue from external customers	-	-	-
Interest income	27,414	-	27,414
Results			
Operating loss before income tax	(201,418)	(530)	(201,948)
Half-year 2019			
Total segment revenue	48,209	-	48,209
Inter-segment revenue	-	-	-
Revenue from external customers	-	-	-
Interest income	48,209	-	48,209
Results			
Operating loss before income tax	(135,697)	(517)	(136,214)
Total Segment assets			
30 June 2020	4,178,058	368,321	4,546,379
31 December 2019	4,350,919	368,321	4,719,240
Total Segment liabilities			
30 June 2020	211,818	-	211,818
31 December 2019	182,731	-	182,731

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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020 (continued)**

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 2020 \$	31 DECEMBER 2019 \$
Cost brought forward	7,928,904	7,707,869
Expenditure incurred	81,471	221,035
Disposals	-	-
Exploration and evaluation cost carried forward	8,010,375	7,928,904
Provisions for impairment in value of capitalised expenditure	(8,010,375)	(7,928,904)
Net exploration and evaluation expenditure carrying amount	-	-

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020 (continued)

NOTE 4 EXPLORATION AND EVALUATION EXPENDITURE (continued)

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 for the half-year ended 30 June 2020 of \$81,471 and the accumulated impairment charge of \$8.01M noted above primarily results from the ongoing delay in the progress of licence renewal applications. 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 COMMITMENTS FOR EXPENDITURE

Exploration expenditure commitments

In order to maintain current rights to tenure to exploration tenements PELs 1 and 12, the consolidated entity is required to carry out exploration activities under an agreed work program. These tenements are subject to a joint arrangement agreement between Australian Coalbed Methane Pty Limited (ACM), a wholly-owned subsidiary of Carbon Minerals Limited, and Santos QNT Pty Limited (Santos). Under the terms of the agreement ACM is required to meet total work program expenditure of \$13M. These obligations are not provided for in the financial statements and are payable as follows:

	30 JUNE 2020	31 DECEMBER 2019
	\$	\$
Within one year	3,465,015	3,453,000
Later than one year but not later than 5 years	-	93,178
	<u>3,465,015</u>	<u>3,546,178</u>

If the consolidated entity does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

NOTE 6 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 57.27% 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, R.P. Lincoln Smith, W.V. Annis-Brown, S.J. Danielson and B.K. Lee (alternate for S.J. Danielson).

Professional fees of \$85,000 (half-year 2019: \$41,500) 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. W.V. Annis-Brown is the principal of the firm. No fees were payable to Lincoln Smith & Company (half-year 2019: Nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020 (continued)

NOTE 6 RELATED PARTY TRANSACTIONS (continued)

(c) Loans from related parties

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). The Company will utilise the facility for the purposes of working capital of the Company or its subsidiary Australian Coalbed Methane Pty. Limited.

The principal terms of the loan facility agreement are as follows:-

- 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 \$1.25 million;
- 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.

The amount of the loan facility used to 30 June 2020 was nil.

(d) Terms and conditions

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

NOTE 7 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 2020	31 DECEMBER 2019
	\$	\$
Guarantees		
Australian Coalbed Methane Pty Limited	<u>75,000</u>	<u>75,000</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020 (continued)

NOTE 9 EVENTS OCCURING AFTER THE REPORTING PERIOD

The emergence of COVID-19 and the implementation of government measures in relation to it are continually evolving. The directors have considered possible effects on the Company's financial condition and as at the date of this report do not expect there to be a material impact.

Primary production activities were resumed in July 2020, following the easing of drought conditions in New South Wales.

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 13 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 2020 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
28 August 2020



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) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 other explanatory notes and the directors' declaration.

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 gives a true and fair view and 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 2020 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 2020 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*.

Price waterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Ben Meacock'.

Ben Meacock
Partner

Sydney
28 August 2020