Carbon Minerals Limited

ABN 29 001 836 586

Coal Seam Gas Pioneers of the Gunnedah Basin

www.carbonminerals.com.au

Annual Report for the year ended 31 December 2022

Santos/ACM Kahlua seam gas pilot, pad within barley crop – PEL 1 Gunnedah Basin

Carbon Minerals Limited
A.B.N. 29 001 836 586
Annual financial report for the year ended 31 December 2022

Contents **Page**

Corporate Directory

Directors
Marcus Lincoln Smith
Raphael Lincoln Smith
Wayne Annis-Brown
Kenneth Fung
Bun Kiem Lee (Alternate for Kenneth Fung)

Secretaries
Noeleen Breen
Holly Young

Registered office
C/- Mitchell & Partners
Suite 3, Level 2, 66 Clarence Street
SYDNEY NSW 2000 AUSTRALIA
Telephone: (02) 9392 8686 (Registered office)
Telephone: (02) 9299 3655 (Administration & operations)
Email: carbonminerals@bigpond.com
Website: www.carbonminerals.com.au

Share registry
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
SYDNEY NSW 2000 AUSTRALIA

GPO Box 2975
MELBOURNE VIC 3001 AUSTRALIA

Telephone: 1300 850 505
International: +61 3 9415 4000
Email: www.investorcentre.com/contact
Website: www.computershare.com/au

Auditor
PricewaterhouseCoopers
One International Towers
Watermans Quay
BARANGAROO NSW 2000 AUSTRALIA

Securities Exchange listing
Carbon Minerals Limited shares are listed on the Australian Securities Exchange under the code CRM.

The Company is limited by shares, incorporated and domiciled in Australia.

Operating and Financial Review

Set out below is the operating and financial review for the consolidated entity (also referred to in this report as the Group) comprised of Carbon Minerals Limited and its wholly owned subsidiary Australian Coalbed Methane Pty Limited.

Review of operations
Gunnedah Basin coal-seam-gas project
Petroleum exploration licences 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.

During the reporting period, field operations included routine inspection and maintenance of existing wellheads, surface facilities and access tracks.

The NSW Government renewed Petroleum Exploration Licences (PEL) 1 and 12, with effect from 12 April 2022 for six years until 12 April 2028. The Licence conditions include undertaking an agreed work program. In Year 1 (12/4/22 to 12/4/23), the program includes:

- Reactivation and operation of the Kahlua multi-well pilot; and
- Geological studies.

During the reporting period, the Bando Seismic Survey (PEL 1) REF was lodged with the Resources Regulator within the NSW Department of Planning and Environment for assessment. This has now been approved.

A joint venture management committee meeting was held on 14 December 2022 to finalise a draft REF for proposed activities involved in the Kahlua Pilot Well Reactivation.

Corporate report
The Company's securities were suspended from quotation following close of trading on 14 February 2022. ASX has determined that the Company's current level of operations are not adequate to warrant the continued quotation of its securities and, therefore, it is in breach of ASX Listing Rule 12.1. The suspension will continue until the Company is able to demonstrate compliance with ASX Listing Rule 12.1.

The suspension is not related to the financial performance of the company. The Company has the ability and intention to operate for the foreseeable future and anticipate the suspension will be lifted within the next 12 months as and when the Company's operations expand.

Financial performance
The loss of the consolidated entity after providing for income tax amounted to $223,230 (2021: loss $358,039).

Financial position
At 31 December 2022, cash was $2,700,817 (2021: $2,952,530) and current liabilities were $732,098 (2021: $246,743). The reduction in cash is mainly due to the payment of exploration and evaluation expenditure creditors and administration expenses during the year.

The Group has adequate cash reserves to fund its continued participation in the joint arrangement with Santos for the foreseeable future. Budgeted expenditure commitments for the year ending 31 December 2023 for ACM's 35% share are $2.935M. Please refer to Note 22 for further information on future exploration expenditure commitments.

Operating and Financial Review (continued)

Financial position (continued)
The Group also has a $1.25M loan facility in place to fund the remaining expenditure commitments and to use for working capital as and when required. Please refer to Note 18 for further information on the loan facility.

Business strategies and prospects
The Group will continue its coal seam gas exploration program through its joint arrangement with Santos. However, no indication as to likely results in the future can be given due to the uncertainties typically associated with exploration activities. Future financial performance will be driven by success of the exploration activities.

Material business risks
The achievement of the Group's business strategy and future financial performance is subject to risks as set out below:

Gas reserves
Estimations of recoverable gas reserves contain uncertainties intrinsic in geological data available and other factors such as operating costs and commodity prices. Long established exploration and evaluation methodology is employed by the Group to minimise these risks. We remain optimistic that our exploration areas contain significant reserves.

Regulatory risks
The Group's business is subject to laws and regulations. A change in the laws which apply to the Group's business or the way it is regulated could have a material adverse impact on its operations and financial position. For example, a change in environmental laws could have a material effect on the Group. The Group monitors legislative and regulatory changes and associated risks continuously.

Environmental, safety and sustainability risks
Health, safety and environment
Various health, safety and environmental risks are inherent with gas exploration activities. Environmental incidents or lack of local community support could result in disruption to the Group's activities.

Climate change
The Group recognises that there is significant risk that the Group's operations may be adversely affected by statutory regulation and costs connected with climate change and carbon emission management. Currently there is no direct extraction of gas from any of the Group's assets. Focus is therefore on potential fugitive emissions (leakage) with the following activities undertaken by Santos:

- Monthly visual inspections of all drill holes; no venting of operational pipelines
- Quarterly inspections of the integrity of pressure seals with focus on leak detection and repair ("LDAR"), including testing for methane using density sensitive videography

Additionally, independent annual audits are undertaken by the NSW Environmental Protection Authority (EPA).

Directors' report

Your directors present their report on the consolidated entity (also referred to in this report as the Group) comprised of Carbon Minerals Limited and its wholly owned subsidiary Australian Coalbed Methane Pty Limited.

The following persons were directors of Carbon Minerals Limited during or since the end of the year, and up to the date of this report:

Marcus Lincoln Smith
Raphael Lincoln Smith
Wayne Annis-Brown
Steven Danielson (resigned as a director on 6 April 2022)
Kenneth Fung (appointed as a director on 6 April 2022)
Bun Kiem Lee (alternate director for S. Danielson up to 6 April 2022; alternate director for K. Fung since 6 April 2022)

Principal activities
The principal continuing activities of the Group in the course of the year were the exploration for natural resources in the Commonwealth of Australia.

Operating and financial review
A review of operations and financial performance for the financial year is set out on pages 2 to 3.

Dividends
The directors report that during the year ended 31 December 2022 no dividends were declared or paid (2021: nil).

Other activities
The Group continues to monitor exploration opportunities both in areas of current Group activity and other regions throughout Australia.

Significant changes in the state of affairs
The Company's securities were suspended from quotation following close of trading on 14 February 2022. ASX has determined that the Company's current level of operations are not adequate to warrant the continued quotation of its securities and, therefore, it is in breach of ASX Listing Rule 12.1. The suspension will continue until the Company is able to demonstrate compliance with ASX Listing Rule 12.1.

The suspension is not related to the financial performance of the company. The Company has the ability and intention to operate for the foreseeable future and anticipate the suspension will be lifted within the next 12 months as and when the Company's operations expand. Discussions held with ASX following suspension indicated that reinstatement will be considered on the basis of results following exploration activity and focused around the findings of seismic testing in PEL1 and reactivation of the Kahlua Pilot Project. These activities are required as part of the renewal of the Exploration Licence and are expected to be undertaken during the first year of the licence period.

In the opinion of the directors, apart from the above, there were no significant changes in the state of affairs of the Group that occurred during the year under review, not otherwise disclosed in this report or the Group financial statements.

Directors' report (continued)

Likely developments and expected results of operations
The Group proposes to continue its natural resources exploration programmes. In relation to the Group's coal seam gas exploration activities, no indication as to likely results in the future can be given at this stage due to the uncertainties usually associated with such activities. Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it may result in unreasonable prejudice to the Group.

Matters subsequent to the end of the financial year
In the opinion of the directors there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature which, in the opinion of the directors, is likely to affect substantially the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years, except for those events mentioned in the review of operations.

Environmental regulation
The Group's operations are subject to environmental and other regulations. The Group has a policy of engaging only suitably experienced contractors and consultants to ensure compliance with environmental regulations in respect of its mineral exploration and primary production activities.

There have been no material breaches of environmental regulations during the financial year and up to the date of this report.

Information on Directors
Marcus P. Lincoln Smith B.A., BSc. (Hons.), MSc., PhD. *Executive Chairman*
Experience and expertise
Non-executive director from his appointment on 6 December 1996 and executive director from 1 January 2010. Chairman of the Board and Chief Executive Officer since 13 March 2013. Environmental scientist for more than 40 years and has considerable experience in the field of environmental consulting.

Other current directorships
None.

Former directorships in last 3 years
None.

Special responsibilities
Chairman of the Board and Chief Executive Officer.

Interests in shares
15,144,747 ordinary shares in Carbon Minerals Limited.

Interests in contracts
Loan facility agreement which subject to shareholder approval may be repaid by the allotment of fully paid ordinary shares to Palmarc Investments Pty Limited (a company associated with M.P. Lincoln Smith and R.P. Lincoln Smith).

Raphael P. Lincoln Smith DipLaw (SAB), LL.M., M.B.A. *Executive Director*
Experience and expertise
Executive director appointed 30 January 2018. Qualified former solicitor of the Supreme Court of New South Wales since 1994. Fellow of the College of Law Limited since July 2015. Director of numerous entities principally involved in land development and sales and has considerable experience in commercial and business law.

Directors' report (continued)

Information on Directors (continued)
Raphael P. Lincoln Smith DipLaw (SAB), LL.M., M.B.A. *Executive Director* (continued)
Other current directorships
None.

Former directorships in last 3 years
None.
Special responsibilities
None.

Interests in shares
6,100 ordinary shares in Carbon Minerals Limited.

Interests in contracts
Loan facility agreement which subject to shareholder approval may be repaid by the allotment of fully paid ordinary shares to Palmarc Investments Pty Limited (a company associated with M.P. Lincoln Smith and R.P. Lincoln Smith).

Wayne V. Annis-Brown LL.B., LL.M. *Non-Executive Director*
Experience and expertise
Executive director from his appointment on 4 August 1988 and then non-executive director from 1 January 2010. Practising solicitor of the Supreme Court of New South Wales for more than 50 years and has considerable experience in commercial and business law.

Other current directorships
None.

Former directorships in last 3 years
None.

Special responsibilities
None.

Interests in shares
41,000 ordinary shares in Carbon Minerals Limited.

Steven John Danielson B.B.S., F.C.A *Non-Executive Director* (Resigned 6 April 2022)
Experience and expertise
Non-executive director since 23 June 1993. Chief Financial Officer since 13 March 2013. Chartered Accountant practising for more than 50 years and has considerable experience in accounting, taxation law and management practices.

Other current directorships
None.

Former directorships in last 3 years
None.

Special responsibilities
Chief Financial Officer.

Interests in shares
None.

Directors' report (continued)

Information on Directors (continued)
Kenneth D. Fung BBus, C.A. *Non-Executive Director* (Appointed 6 April 2022)
Experience and expertise
Non-executive director since 6 April 2022. Chief Financial Officer since 6 April 2022. Chartered Accountant practising for more than 14 years and has considerable experience in accounting, taxation law and management practices.

Other current directorships
None.

Former directorships in last 3 years
None.

Special responsibilities
Chief Financial Officer.

Interests in shares
None.

Bun Kiem Lee B.Com., F.C.A. (Alternate for S.J. Danielson and K.D. Fung). *Non-Executive Director*
Experience and expertise
Non-executive director since 5 April 2006. Chartered Accountant practising for 48 years and has considerable experience in accounting, taxation law and management practices.

Other current directorships
None.

Former directorships in last 3 years
None.

Special responsibilities
None.

Interests in shares
10,000 ordinary shares in Carbon Minerals Limited.

Company Secretaries
Noeleen Breen AssocDegLaw (Paralegal)
Ms. Breen was appointed to the position of joint company secretary on 11 April 2022. Ms. Breen is an experienced Executive Assistant, held various supporting roles in the legal profession during her career and attained an Associate Degree in Law (Paralegal Studies) from Southern Cross University in 2013.

Holly Young BHRM
Mrs. Young was appointed to the position of joint company secretary on 11 April 2022. Mrs. Young, a former Olympic athlete, completed a Bachelor of Human Resource Management at Macquarie University in 2010 and worked in that area prior to establishing her own business in 2017.

Steven Danielson
Mr. Danielson resigned as company secretary on 6 April 2022.

Rachel Thorn
Ms. Thorn resigned as company secretary on 11 April 2022.

Directors' report (continued)

Meeting of Directors
The following table sets out the number of meetings of the Company's directors held during the year ended 31 December 2022, and the number of meetings attended by each director:

	Full meetings of directors		Meetings of non-executive directors	
Director	**A**	**B**	**A**	**B**
M.P. Lincoln Smith	11	11	*	*
R.P. Lincoln Smith	11	11	*	*
W.V. Annis-Brown	11	11	0	0
S.J. Danielson	4	3	0	0
K.D. Fung	8	8	0	0
B.K. Lee (Alternate for S.J. Danielson and K.D. Fung)	0	11	0	0

A = Number of meetings attended
B = Number of meetings held during the time the director held office during 2022
* = Not a non-executive director

Remuneration Report
This report details the policy and principles that govern the remuneration of directors and executives of the Company and Group; the link between remuneration policy and principles and the Company's and Group's performance for the year and the remuneration arrangements of directors and executives.

The directors and executives who are responsible for the overall planning, directing and controlling of the activities of the Company and Group during the year are as follows:

Executive Chairman
M.P. Lincoln Smith

Chief Executive Officer
M.P. Lincoln Smith

Chief Financial Officer
S.J. Danielson (Resigned 6 April 2022)
K.D. Fung (Appointed 6 April 2022)

Executive Director
R.P. Lincoln Smith

Non-Executive Directors
W.V. Annis-Brown
S.J. Danielson (Resigned 6 April 2022)
K.D. Fung (Appointed 6 April 2022)
B.K. Lee (alternate director for S.J. Danielson and K.D. Fung)

Directors' report (continued)

Remuneration Report (continued)

Remuneration policy
Objectives and principles of remuneration policy
The objective of the Company's and Group's remuneration policy and its principles is to ensure that reward is competitive and appropriate.

No element of remuneration is determined in relation to the financial performance of the Company or Group. As there is no link to financial performance there is no further discussion of the matters required by section 300A of the *Corporations Act 2001* and Part 2M of the Regulations. These sections require discussion over the current year and the previous 4 years of the link between reward and:

- earnings
- dividends
- share price movements.

During the year ended 31 December 2022, the Company did not have a separate remuneration committee. Instead, the duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the entire Board.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management.

Remuneration and other terms of employment for directors are formalised within the Constitution / Articles of Association of the Company and Group entities. This outlines that remuneration to directors be limited to $20,000 per annum with any increases to be determined only through notice at a general meeting.

(a) Details of remuneration (audited)
Executive directors' and non-executive directors' remuneration and other terms of employment are reviewed periodically by the Board. The current base remuneration was last reviewed with effect from 6 April 2022. The remuneration details of executive and non-executive directors and key management personnel of the Company and the Group are set out in the following table:

Directors' report (continued)

Remuneration Report (continued)

Remuneration of key management personnel of the Group and the Company

2022	Short-term benefits	Post-employment benefits	Share-based payment		
Name	**Directors' Base Fee $**	**Super-annuation $**	**Options $**	**Total $**	**Remuneration consisting of options %**
Executive directors					
M.P. Lincoln Smith	8,000	840	-	8,840	-
R.P. Lincoln Smith	4,000	420	-	4,420	-
Non-executive directors					
W.V. Annis-Brown	4,000	420	-	4,420	-
S.J. Danielson	-	-	-	-	-
K.D. Fung	-	-	-	-	-
B.K. Lee	-	-	-	-	-
Total	**16,000**	**1,680**	**-**	**17,680**	**-**
2021					
Executive directors					
M.P. Lincoln Smith	8,000	800	-	8,800	-
R.P. Lincoln Smith	4,000	400	-	4,400	-
Non-executive directors					
W.V. Annis-Brown	4,000	400	-	4,400	-
S.J. Danielson	-	-	-	-	-
K.D. Fung*	-	-	-	-	-
B.K. Lee	-	-	-	-	-
Total	**16,000**	**1,600**	**-**	**17,600**	**-**

*K.D. Fung was appointed a director on 6 April 2022.

No remuneration was payable to any officers of the Group or the Company other than the amounts disclosed above.

No bonuses or share options have been paid or issued to directors during the year (2021: nil).

No other key management personnel have been identified.

(b) Shareholdings

The numbers of shares in the Company held during the financial year by each director of Carbon Minerals Limited and other key management personnel of the Group, including their personally related entities, are set out below. Where shares are held by the individual director or executive they are shown as 'beneficially held'. Shares held by those who are defined by AASB 124 *Related Party Disclosures* as close members of the family of the individual director or executive and any entity under the joint or several control of the individual director or executive are shown as 'non-beneficially held'.

Directors' report (continued)

Remuneration Report (continued)

(b) Shareholdings (continued)

Name	Type	Balance as at 31 December 2021	Net changes during the year	Balance as at 31 December 2022
Executive directors				
M.P. Lincoln Smith	Beneficially held	1,500	-	1,500
	Non-beneficially held	15,143,247	-	15,143,247
R.P. Lincoln Smith	Beneficially held	100	-	100
	Non-beneficially held	6,000	-	6,000
Non-executive directors				
W.V. Annis-Brown	Beneficially held	1,000	-	1,000
	Non-beneficially held	40,000	-	40,000
S.J. Danielson*	Beneficially held	100	-	100
	Non-beneficially held	-	-	-
K.D. Fung**	Beneficially held	-	-	-
	Non-beneficially held	-	-	-
B.K. Lee	Beneficially held	-	-	-
	Non-beneficially held	10,000	-	10,000

* S.J. Danielson resigned as a directors on 6 April 2022
**K.D. Fung was appointed a director on 6 April 2022

(c) Loans to key management personnel

No directors of Carbon Minerals Limited or other key management personnel of the Group, including their personally related parties, held any loans with the Group or the Company during the year.

(d) Loans from key management personnel 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 including exploration activities of the Company or its subsidiary Australian Coalbed Methane Pty. Limited.

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

(d) Loans from key management personnel related parties

- 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

Directors' report (continued)

Remuneration Report (continued)

(d) Loans from key management personnel related parties (continued)

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 31 December 2022 was nil and all terms remain unchanged.

(e) Other transactions with key management personnel

Professional fees of $122,500 (2021: $105,500) were payable to Mitchell & Partners (Chartered Accountants), a firm of which S.J. Danielson is a consultant and K.D. Fung and B.K. Lee are principals.

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 during the year ended 31 December 2022 (2021: Nil).

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

Auditors
PricewaterhouseCoopers continue in office in accordance with Section 327 of the *Corporations Act 2001*.

Auditors' independence declaration
A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

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 the directors.

M.P. Lincoln Smith	Sydney
Director	30 March 2023

Auditor's Independence Declaration

As lead auditor for the audit of Carbon Minerals Limited for the year ended 31 December 2022, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ben Meacock
Partner
PricewaterhouseCoopers

Sydney
30 March 2023

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Corporate governance statement

The Board of Directors is responsible to the security holders for the performance of the Company and the implementation of corporate governance policies. The Company's corporate governance principles and policies are structured with reference to the ASX Corporate Governance Council's principles and recommendations, which are as follows:

1. Lay solid foundations for management and oversight
2. Structure the board to be effective and add value
3. Instil a culture of acting lawfully, ethically and responsibly
4. Safeguard the integrity of corporate reports
5. Make timely and balanced disclosure
6. Respect the rights of security holders
7. Recognise and manage risk
8. Remunerate fairly and responsibly.

The board supports the intent of the recommendations and recognises that given the current size and scope of the Company it is not practical to institute all of the recommendations at present. A description of the Company's main corporate governance practices is set out hereunder. Unless stated otherwise, all of the following practices were in place throughout the 2022 financial year.

1. Lay solid foundations for management and oversight

The Board's responsibilities include:
- development of strategy
- oversight of management
- risk management
- monitoring compliance with legal and regulatory obligations
- approving and monitoring major operating and capital expenditure
- approving acquisitions and disposals of projects
- overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit.

The CEO is responsible for the day to day operations and administration of the Company in accordance with the directions and policies of the Board.

The Executive Chairman is responsible for matters not specifically identified as the responsibility of the Board. The Board has also delegated to the Executive Chairman such matters as the Company's liquidity, credit policies and exposures.

Before a candidate is put forward or appointed as a director or senior executive, appropriate checks regarding experience, education and integrity are carried out. All pertinent material information in the company's possession, which is relevant to a decision on whether or not to elect or re-elect a director is provided to security holders.

The company secretaries provide information and support the proper functioning of the Board. They are directly answerable to the Board, via the Executive Chairman.

The Company has no formal performance evaluation procedure for the Board, individual directors or senior executives. However, the Executive Chairman monitors and appraises the performance of individual directors on an informal basis. Any deficiency identified in a director's performance is addressed directly with the relevant director.

Corporate governance statement (continued)

2. Structure the board to be effective and add value

The Board consists of an executive chairman, an executive director and two non-executive directors. M.P. Lincoln Smith is the Executive Chairman and CEO. R.P. Lincoln Smith is an executive director. W.V. Annis-Brown, S.J. Danielson (resigned 6 April 2022) and K.D. Fung (appointed 6 April 2022) are non-executive directors. B.K. Lee is an alternate director for S.J. Danielson and K.D. Fung. None of the directors are considered to be independent.

The Board ensures that the directors have an appropriate level of industry experience and business skills to enable them to competently perform their roles. The directors' qualifications, experience and service period are set out in the Directors' Report and the mix of skills and experience of the Directors is set out in the matrix below.

Tertiary and Industry Qualifications	Specific Professional and Industry Experience
Business and commerce Law Science	Accounting and taxation Finance and investment Management and planning Risk assessment and management Legal/statutory compliance Environment Private sector and public sector directorships

The Company has no nomination committee. New Directors are appointed by the Board having regard to the Company's needs from time to time. Re-election of directors takes place in accordance with the ASX Listing Rules and the Company's Constitution.

3. Instil a culture of acting lawfully, ethically and responsibly

The Company is committed to complying with all applicable laws, regulations and standards.

The Company is dedicated to protecting the environment and respecting community attitudes in all aspects of its operations. The Company ensures that adequate systems and procedures are in place to mitigate the impact the Company's activities may have on the environment and relevant stakeholders.

The board expects all directors to perform their duties in a manner which is ethical, honest, objective and lawful and at all times endeavour to maintain and improve the performance and reputation of the Company.

Under the Company's Whistleblower Policy, provision is made for individuals to speak up about any unlawful, unethical or irresponsible behaviour within the Company and any material incidents reported are communicated to the Board. The policy is available on the Company's website: www.carbonminerals.com.au.

The Company has a securities trading policy which applies to directors, employees and consultants (insiders). A copy of the policy is available on the Company's website: www.carbonminerals.com.au.

4. Safeguard the integrity of corporate reports

It is the Board's responsibility to ensure the maintenance of proper accounting records and the integrity of financial information, the implementation of quality assurance practices and procedures and compliance with statutory regulations.

Corporate governance statement (continued)

4. Safeguard the integrity of corporate reports (continued)

At regular stages the Board:
- reviews the accounting policies;
- reviews the Company's annual and half yearly financial reports;
- reviews the Company's quarterly activities and cash flow reports;
- reviews with the external auditors the appropriateness of accounting policies;
- addresses the findings of the external auditors;
- assesses the scope, quality and cost of the external audit;
- ensures that the auditors retain their independence and there is a periodic rotation of the audit engagement partner;
- reviews the appointment or removal of the external auditor; and
- assesses external reporting to ensure consistency with Board members information and knowledge.

Prior to approval and release of the Company's financial statements for any financial period, the Board receives from the CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Board ensures that the external auditor attends the Company's AGM and is available to answer questions from security holders relevant to the audit.

The Company does not have an audit committee. Due to the small number of directors constituting the Board and the fact that the Board bears the ultimate responsibility for the integrity of the Company's financial reporting and the independence of the external auditor, the Board has deemed that the establishment of a separate audit committee is unnecessary.

5. Make timely and balanced disclosure

The Company aims to provide relevant and timely information to its security holders and the broader investment community in accordance with its continuous disclosure obligations under the listing rule 3.1. The Board has procedures in place to disclose any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. The Board has delegated the function of continuous disclosure to the Chairman and the Company Secretaries.

The Chairman and the Company Secretaries assess the type of information that needs to be disclosed and ensure the Company's announcements are made in a timely manner, are factual, do not omit material information and are in compliance with the listing rules. Information which is considered to be price sensitive is approved by the Chairman before its release.

Copies of all material market announcements are disseminated to all board members promptly after the announcement has been made. All investor or analyst presentation materials are released on the ASX Market Announcements Platform ahead of the presentation.

6. Respect the rights of security holders

The Board's policy is for all investors to have equal and timely access to material information concerning the Company, including its financial position, performance, ownership and governance and aims to ensure that all security holders are informed of major developments affecting the affairs of the Company.

Corporate governance statement (continued)

6. Respect the rights of security holders (continued)

Information is communicated to the security holders through the Annual Report, Half-Year Report, Quarterly Activities and Cash Flow Reports, disclosures made to the ASX and notices of meetings. The Company maintains a website on which is placed Company announcements and Financial Reports as well as the Company’s corporate governance policies and biographical information for each director and senior executive. Any relevant information is available to the security holders on request by email or post.

At the AGM the Chairman encourages questions and comments from security holders relating to the company's activities, management of the company, Annual Financial Report and Remuneration Report. All substantive resolutions at a meeting of security holders are decided by a poll.

Security holders are given the option of receiving communications from and send communications to the Company and its security registry electronically.

7. Recognise and manage risk

The Board has responsibility for ensuring that management has adopted risk and internal control processes and it acknowledges that risk management is a core principle of sound corporate governance.

The Company does not have an internal audit function and has not appointed a Risk Committee. In view of the importance of risk management and the small size of the Company, the Board believes it is appropriate for the full Board to oversee risk. The Board has delegated responsibility for designing and implementing the risk management and internal control systems to manage the Company’s material risks to the CEO.

The Company’s established policies for overseeing its risk management framework are summarised below:

- Review the reliability and integrity of financial and operating information and the processes used to identify, measure, classify and report such information
- Examine and evaluate the adequacy of internal control systems
- Ensure compliance with relevant laws, regulations and standards
- Formulate and regularly review programmes for exploration and development
- Manage financial risk
- Oversee the conduct of contractors
- Assess the probability and potential impact of identified risks
- Develop actions to eliminate, diminish or deal with the potential consequences of identified risks

The Board annually reviews the effectiveness of the Company’s risk management framework and internal control processes to satisfy itself that it continues to be sound, is operating within the risk parameters set by the Board and to consider whether improvements or modifications should be made.   A review has been conducted in relation to the year ended 31 December 2022.

The Company’s activities expose it to material economic, environmental and social sustainability risks. Any identified risks are regularly monitored and action to mitigate those risks is initiated as appropriate. Highly qualified external consultants are engaged as required to review economic, environmental and social sustainability issues and assist in the development of protocols to mitigate risk.

Corporate governance statement (continued)

8. Remunerate fairly and responsibly

The Company determines by resolution the total remuneration to be paid to the directors, and the directors determine how the total remuneration is divided among them. The total determined directors' remuneration is $20,000 per annum. The Company must not increase the total amount of directors' remuneration payable by it without the approval of security holders by ordinary resolution at a general meeting. There is no equity-based remuneration scheme.

There is no distinction between the structure of non-executive directors' remuneration and that of executives. The Board considers this method appropriate at this stage of the Company's development. Directors receive a fixed amount of remuneration by way of cash fees and superannuation contributions. Remuneration levels are reflective of the time commitment and responsibilities of the directors' roles and are relative to the scale of the Company's operations.

The Company does not have a remuneration committee. Due to the small number of directors constituting the Board and the fact that ultimate responsibility for the Company's remuneration policy rests with the full Board, the establishment of a separate remuneration committee is deemed unwarranted.

Further information on directors' remuneration is set out in the Directors' Report at pages 7-11.

The Company has followed each of the ASX Corporate Governance Council recommendations in full for the whole of the reporting period, except in relation to the recommendations set out below:

	RECOMMENDATION	**EXPLANATION FOR DEPARTURE**
1.	**Lay solid foundations for management and oversight**	
1.1	A listed entity should have and disclose a board charter setting out: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	The Company does not have a board charter. The Board is satisfied that its members and management have a clear understanding of their respective roles and responsibilities as set out in the Company's Corporate Governance Statement and a charter is unnecessary. .
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Written agreements setting out the terms of directors' appointments are considered unnecessary due to the long standing professional associations that exist between the current directors.
1.5	A listed entity should: (a) have and disclose a diversity policy: (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and (c) disclose in relation to each reporting period: (1) the measurable objectives set for that period to achieve gender diversity; (2) the entity's progress towards achieving those objectives; and	The Company does not have a diversity policy. Due to the current size of the Company's operations the Board considers it to be impractical to establish a gender diversity policy with meaningful measurable objectives.

Corporate governance statement (continued)

1.5	(3) either: (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	The Company has no formal performance evaluation process for the Board or individual directors. Due to the small size and the enduring stability of the Board, the directors regard the establishment of a prescribed performance evaluation process to be unnecessary.
1.7	A listed entity should: (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	The Company does not have a process for evaluating the performance of its senior executives as there are none engaged by the Company. Any senior executive functions are carried out by the Executive Directors.
2.	**Structure the Board to be effective and add value**	
2.4	A majority of the board of a listed entity should be independent directors.	The Board is of the opinion that the Company is best served by its current board composition and does not consider that the current stage of development of the Company justifies the cost of increasing the number of directors.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The Board supports the combined role of Chairman and CEO and does not consider that the present size of operations of the Company justifies the cost of increasing the number of directors.
2.6	A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	The Board believes that the current directors already possess the necessary skills, knowledge and experience to effectively and competently perform their duties within the scope of the Company's operations. However, as the Company develops, the Board will continue to monitor and assess the benefit of introducing such programs and professional development opportunities.

Corporate governance statement (continued)

3.	**Instil a culture of acting lawfully, ethically and responsibly**	
3.2	A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code (c) any other material breaches of that code that call into question the culture of the organisation.	A code of conduct has not been formally established due to the small number of directors constituting the Board and the fact that Board changes are infrequent. The Chairman consistently and continuously ensures that all members of the Board have a clear understanding of their duties, responsibilities and their accountability to the Company and its security holders for their conduct.
3.4	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or committee of the board is informed of any material breaches of that policy.	The Company does not presently have an anti-bribery and corruption policy. Such a policy is considered unnecessary due to the small number of directors constituting the Board, the fact that Board changes are infrequent and that each of the current directors have a long held deep respect for each other and their demonstrated integrity. Also, the Company has no employees and only engages reputable external advisors and/or consultants.
5.	**Make timely and balanced disclosure**	
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under the listing rule 3.1.	The Board considers that it is unnecessary to establish a written policy designed to ensure compliance as it has delegated the function of continuous disclosure as required under the listing rule 3.1 to the Chairman and the Company Secretaries.
6.	**Respect the rights of security holders**	
6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	Due to the size of the Company's operations and its current stage of development the Board deems the cost of designing and implementing an investor relations program to facilitate effective two-way communication with investors to be unwarranted.
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The cost of establishing an electronic communication facility to/from the security registry was unjustifiable, but due to the change of the Company's share registry management provider, from 8 February 2022 security holders have the option to receive communications from, and send communications to, the entity and its security registry electronically. The recommendation has been followed in full from 8 February 2022.

The corporate governance statement is current as at 30 March 2023 and has been approved by the board of directors.

Consolidated statement of comprehensive income
for the year ended 31 December 2022

	Notes	2022 $	2021 $
Income from continuing operations	5	**56,777**	11,516
Impairment of non-current assets	6	**-**	(126,869)
Administration expenses	7	**(276,693)**	(239,781)
Other expenses		**(3,314)**	(2,905)
Loss before income tax		**(223,230)**	(358,039)
Income tax benefit	8	**-**	-
Loss for the year		**(223,230)**	(358,039)
Total comprehensive loss for the year		**(223,230)**	(358,039)
Loss is attributable to:			
Owners of Carbon Minerals Limited		**(223,230)**	(358,039)
Total comprehensive loss for the year is attributable to:			
Owners of Carbon Minerals Limited		**(223,230)**	(358,039)
		Cents	Cents
Loss per share for total comprehensive loss attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share	21	**(1.19)**	(1.90)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position as at 31 December 2022

	Notes	2022 $	2021 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	**2,700,817**	2,952,530
Receivables	10	**44,212**	10,679
Term deposits	11	**75,000**	75,000
Total Current Assets		**2,820,029**	3,038,209
Non-Current Assets			
Property, plant and equipment	12	**746,369**	746,940
Exploration and evaluation expenditure	13	**480,876**	-
Total Non-Current Assets		**1,227,245**	746,940
Total Assets		**4,047,274**	3,785,149
LIABILITIES			
Current Liabilities			
Payables	14	**732,098**	246,743
Total Current Liabilities		**732,098**	246,743
Total Liabilities		**732,098**	246,743
Net Assets		**3,315,176**	3,538,406
EQUITY			
Contributed equity	15	**8,433,899**	8,433,899
Accumulated losses	16	**(5,118,723)**	(4,895,493)
Parent entity interest		**3,315,176**	3,538,406
Total Equity		**3,315,176**	3,538,406

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity
for the year ended 31 December 2022

	Attributable to owners of Carbon Minerals Limited		
	Contributed equity $	**Accumulated losses $**	**Total equity $**
Balance at 1 January 2021	**8,433,899**	**(4,537,454)**	**3,896,445**
Loss for the year	-	(358,039)	(358,039)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(358,039)	(358,039)
Balance at 31 December 2021	**8,433,899**	**(4,895,493)**	**3,538,406**
Loss for the year	**-**	**(223,230)**	**(223,230)**
Other comprehensive income for the year	**-**	**-**	**-**
Total comprehensive loss for the year	**-**	**(223,230)**	**(223,230)**
Balance at 31 December 2022	**8,433,899**	**(5,118,723)**	**3,315,176**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows
for the year ended 31 December 2022

	Notes	2022 $	2021 $
Cash flows from operating activities			
Interest received		**18,719**	12,467
Receipts from customers (inclusive of goods and services tax)		**24,327**	33,626
Payments			
- to suppliers (inclusive of goods and services tax)		**(212,086)**	(250,537)
- for exploration expenditure		**(82,673)**	(225,042)
Net cash outflow from operating activities	20	**(251,713)**	(429,486)
Cash flows from investing activities			
Payments for property, plant and equipment		**-**	-
Net cash outflow from investing activities		**-**	-
Net decrease in cash and cash equivalents		**(251,713)**	(429,486)
Cash and cash equivalents at the beginning of the year		**2,952,530**	3,382,016
Cash and cash equivalents at the end of the year	9	**2,700,817**	2,952,530

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

Contents of the notes to the financial statements

Notes to the financial statements
31 December 2022

Note 1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Carbon Minerals Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Carbon Minerals Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Carbon Minerals Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments [AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141].*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(iv) Historical cost convention

The financial statements have been prepared on a historical cost basis.

Notes to the financial statements
31 December 2022 (continued)

Note 1: Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(v) Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Principles of consolidation and equity accounting

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Carbon Minerals Limited ("Company" or "parent entity") as at 31 December 2022 and the results of all subsidiaries for the year then ended. Carbon Minerals Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(g)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Joint arrangements

Under AASB 11 Joint Arrangements: investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Carbon Minerals Limited has a joint operation.

Carbon Minerals Limited recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO.

Notes to the financial statements
31 December 2022 (continued)

Note 1: Summary of significant accounting policies (continued)

(d) 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.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(ii) Other income

Other income is derived from activities unrelated with the major business activities. The respective income are recognised as other income in profit or loss when the right to receive payment is established.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Tax consolidation legislation

Carbon Minerals Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

Notes to the financial statements
31 December 2022 (continued)

Note 1: Summary of significant accounting policies (continued)

(f) Income tax (continued)

The head entity, Carbon Minerals Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Carbon Minerals Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Notes to the financial statements
31 December 2022 (continued)

Note 1: Summary of significant accounting policies (continued)

(g) Business combinations (continued)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(i) Receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 10 for further information about the group's accounting for trade receivables and for a description of the group's impairment policies.

(j) Investments and other financial assets

(i) Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Notes to the financial statements
31 December 2022 (continued)

Note 1: Summary of significant accounting policies (continued)

(j) Investments and other financial assets (continued)

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments
Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. The Group has only debt instruments classified as amortised cost, as the loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (refer to note 10). The amortised cost definition is:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(k) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives as follows:

- Structural improvements 20 years

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(o)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

Notes to the financial statements
31 December 2022 (continued)

Note 1: Summary of significant accounting policies (continued)

(l) Direct participating interest in an asset

The Group has determined that its interest in the arrangement with Santos QNT Pty Limited in respect of jointly held petroleum exploration licences represents a direct participation interest in an asset. Accordingly, the Group recognises its share of costs in the arrangement as part of capitalised exploration and evaluation expenditure.

(m) Exploration and evaluation expenditure

Exploration and evaluation expenditure is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

For each area of interest, all exploration and evaluation expenditure is expensed as incurred unless:

- the exploration and evaluation expenditures are expected to be recouped through successful development and commercial exploitation of the area of interest, or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas. The directors review the carrying amount for impairment annually.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(p) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Notes to the financial statements
31 December 2022 (continued)

Note 1: Summary of significant accounting policies (continued)

(p) Provisions (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(q) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

(s) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Notes to the financial statements
31 December 2022 (continued)

Note 1: Summary of significant accounting policies (continued)

(u) Parent entity financial information

The financial information for the parent entity, Carbon Minerals Limited, disclosed in note 24 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Carbon Minerals Limited.

(ii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(v) Going concern

The Company's securities were suspended from quotation following close of trading on 14 February 2022 as ASX determined that the Company's level of operations were insufficient to warrant the continued quotation of its securities and was, therefore, in breach of ASX Listing Rule 12.1. The suspension will continue until the Company is able to demonstrate compliance with ASX Listing Rule 12.1.

The directors anticipate the ASX suspension will be lifted within the next 12 months when the Company can demonstrate compliance with ASX Listing Rule 12.1 due to an increase in exploration activities following renewal of its exploration licences on 12 April 2022.

As at 31 December 2022, the Group was in a loss making position, but it had both a net current assets and asset surplus. Management continues to monitor the current financial position and cash flows of the Group.

The directors believe that it is appropriate to prepare the accounts on a going concern basis based on the combination of access the Group has to a related party loan facility of $1.25M (refer to Note 18) and written confirmation of the loan facility agreement terms from the related party. The combination of these will enable the Group to meet its commitments as and when they fall due for a minimum of 12 months from the date of this report.

Note 2: Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk, liquidity risk and price risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Board and the financial risks faced by the Group are considered minimal at this stage.

Notes to the financial statements
31 December 2022 (continued)

Note 2: Financial risk management (continued)

(a) Market risk

The Group's and parent's main interest rate risk arises from cash and cash equivalents and deposits with banks. The Group and parent are not exposed to currency risk.

Group and parent entity sensitivity
At 31 December 2022, if interest rates had changed by -/+ 100 basis points from the year-end rates with all other variables held constant, post-tax loss for the year would have been $45,644 higher/lower (2021 – change of 100 bps: $29,525 higher/lower), as a result of higher/lower interest income from cash and cash equivalents and deposits with banks.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures in respect of outstanding receivables and committed transactions.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

(c) Liquidity risk

The Group manages liquidity risk by monitoring actual cash flows and maintaining sufficient cash to fund operations. Surplus funds are generally only invested in short term deposits with Australian Banks.

Maturities of financial liabilities
The tables below analyse the Group's financial liabilities into relevant maturity Groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2022	**Less than 6 months $**	**6 – 12 months $**	**Between 1 and 2 years $**	**Between 2 and 5 years $**	**Over 5 years $**	**Total contractual cash flows $**	**Carrying amount (assets) / liabilities $**
Non-derivatives							
Non-interest bearing	732,098	-	-	-	-	732,098	732,098
Interest bearing	-	-	-	-	-	-	-
Total non-derivatives	732,098	-	-	-	-	732,098	732,098
At 31 December 2021							
Non-derivatives							
Non-interest bearing	246,743	-	-	-	-	246,743	246,743
Interest bearing	-	-	-	-	-	-	-
Total non-derivatives	246,743	-	-	-	-	246,743	246,743

Notes to the financial statements
31 December 2022 (continued)

Note 2: Financial risk management (continued)

(d) Capital risk management

The Group manage their capital to ensure the Group will be able to continue as a going concern while maximising the return to stakeholders. The Group's overall strategy remains unchanged from 2021.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

The Group operates through a subsidiary company in Australia. The Group subsidiary company is not subject to externally imposed capital requirements.

The Group's cash flows are used for exploration and development of its natural resources interests, and to fund corporate costs of the Company.

(e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, investments in unlisted subsidiaries) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values due to their short-term nature.

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 Group's accounting policy for exploration and evaluation is set out in Note 1 (m).

Carried forward exploration and evaluation expenditures are disclosed in note 13 and relate primarily to capitalised exploration and evaluation costs from activities in the Gunnedah Basin.

Notes to the financial statements
31 December 2022 (continued)

Note 4: Financial reporting by segments

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

2022	Natural resources exploration $	Primary production $	Total continuing operations $	Consolidated $
Total segment income	24,777	32,000	56,777	56,777
Consolidated income			56,777	56,777
Segment result	(253,364)	30,134	(223,230)	(223,230)
Loss before income tax			(223,230)	(223,230)
Segment assets and liabilities				
Segment assets	3,638,609	408,665	4,047,274	4,047,274
Segment liabilities	732,098	-	732,098	732,098

2021	Natural resources exploration $	Primary production $	Total continuing operations $	Consolidated $
Total segment income	11,516	-	11,516	11,516
Consolidated income			11,516	11,516
Segment result	(356,385)	(1,654)	(358,039)	(358,039)
Loss before income tax			(358,039)	(358,039)
Segment assets and liabilities				
Segment assets	3,411,398	373,751	3,785,149	3,785,149
Segment liabilities	246,743	-	246,743	246,743

Note 5: Income

	2022 $	2021 $
From continuing operations		
Interest received – non related corporations	**24,777**	11,158
Other income	**32,000**	358
	56,777	11,516

Notes to the financial statements
31 December 2022 (continued)

Note 6: Impairment expense

	2022 $	2021 $
Non-current assets		
Exploration and evaluation expenditure	**-**	126,869
Total impairment losses	**-**	126,869

No impairment charge was booked in the current year (2021: $126,869). The prior year impairment charge noted above was primarily due to the ongoing delay in the progress of licence renewal applications.

Note 7: Administration expenses

	2022 $	2021 $
Loss before income tax includes the following specific expenses:		
Administration expenses		
Secretarial fees	**122,500**	105,500
Share registry and listing fees	**36,626**	47,306
Audit fees	**56,672**	53,611
Other fees	**32,805**	22,595
Other expenses including bank charges	**28,090**	10,769
	276,693	239,781

Note 8: Income tax benefit

	2022 $	2021 $
(a) Income tax benefit	**-**	-
Current tax		
Income tax is attributable to:		
Profit from continuing operations	**-**	-
Recoupment of current year tax losses	**-**	-
	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from operations before income tax expense	**(223,230)**	(358,039)
Tax at the Australian tax rate of 30% (2021: 30%)	**(69,969)**	(107,412)
Tax effect of amounts which are not tax deductible in calculating taxable income:		
Deferred tax assets not brought to account	**69,969**	107,412
Income tax benefit	**-**	-
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**(8,981,898)**	(8,758,668)
Potential tax benefit @ 30%	**2,694,569**	2,627,600

Notes to the financial statements
31 December 2022 (continued)

Note 8: Income tax benefit (continued)

No deferred tax asset has been recognised as the benefit for tax losses will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Note 9: Current assets – cash and cash equivalents

	2022 **$**	2021 $
Cash at bank and on hand	**136,094**	106,431
Deposits at call	**2,564,723**	2,846,099
	2,700,817	2,952,530

(a) Cash at bank and on hand

Cash at bank balances are subject to interest at variable rates and the average rate for the year was 0.01% (2021: 0.02%).

(b) Deposits at call

Deposits at call are subject to interest at fixed rates and the average interest rate for the year was 0.69% (2021: 0.41%). These deposits have a maturity of 3 months.

Note 10: Current assets – receivables

	2022 **$**	2021 $
Interest receivable	**7,275**	1,217
Other debtors	**35,200**	4,610
Other receivables	**1,456**	4,571
Refundable deposit	**281**	281
	44,212	10,679

(a) Impaired receivables

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

There were no impaired receivables for the Group and there were no receivables past due for the Group.

(b) Interest rate risk

Information about the Group's and the parent entity's exposure to interest rate risk in relation to receivables is provided in note 2.

Notes to the financial statements
31 December 2022 (continued)

Note 10: Current assets – receivables (continued)

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair values.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's receivables.

Note 11: Current assets – term deposits

	2022 **$**	2021 $
Term deposits held as security for bank guarantees (note 19)	**75,000**	75,000

Term deposits are subject to interest at fixed rates and the average interest rate for the year was 0.11% (2021: 0.16%).

Note 12: Non-current assets – property, plant and equipment

	2022 **$**	2021 $
Freehold land and buildings		
Opening gross book amount	**747,511**	747,511
Additions	**-**	-
Disposal	**-**	-
Closing gross book amount	**747,511**	747,511
Cost	**747,511**	747,511
Accumulated depreciation	**(1,142)**	(571)
Net book amount	**746,369**	746,940

Note 13: Non-current assets – exploration and evaluation expenditure

	2022 **$**	2021 $
Cost brought forward	**8,494,598**	8,367,729
Expenditure incurred during the year	**499,648**	126,869
	8,994,246	8,494,598
Less expensed	**(18,772)**	-
Less impairment	**(8,494,598)**	(8,494,598)
Net exploration and evaluation expenditure carried forward	**480,876**	**-**

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 in accordance with the accounting policy set out in note 1(m). 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

Notes to the financial statements
31 December 2022 (continued)

Note 13: Non-current assets – exploration and evaluation expenditure (continued)

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 for the year ended 31 December 2022 is nil. The accumulated impairment charge of $8.495M noted above represents impairment charge booked in prior years which was primarily due to delay in the progress of licence renewal applications in those prior years. 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 not less $480,876.

Note 14: Current liabilities – payables

	2022 **$**	2021 $
Trade payables	**512,412**	95,437
Other payables and accruals	**219,686**	151,306
	732,098	246,743

Note 15: Contributed equity

	2022 **$**	2021 $
(a) Share Capital		
5 ordinary shares of $0.50 each, fully paid, issued as subscriber shares	**3**	3
18,803,493 ordinary shares of $0.50 each fully paid	**8,433,896**	8,433,896
	8,433,899	8,433,899

(b) Movements in share capital

Date	**Details**	**Number of Shares**	**$**
1 January 2021	Opening balance	18,803,498	8,433,899
31 December 2021	Balance	18,803,498	8,433,899
1 January 2022	Opening balance	18,803,498	8,433,899
31 December 2022	Balance	18,803,498	8,433,899

(c) Ordinary shares

At 31 December 2022 there were 18,803,498 fully paid ordinary shares.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Notes to the financial statements
31 December 2022 (continued)

Note 16: Accumulated losses

	2022 $	2021 $
Movements in accumulated losses were as follows:		
Balance 1 January	**(4,895,493)**	(4,537,454)
Net loss for the year	**(223,230)**	(358,039)
Balance 31 December	**(5,118,723)**	(4,895,493)

Note 17: Remuneration of auditors

	2022 $	2021 $
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:		
Auditors of parent entity		
- Parent entity	**56,672**	53,611
- Controlled entities	**-**	-
Total remuneration for audit services	**56,672**	53,611

Note 18: Related party transactions

(a) Controlling entity

The Company's ultimate controlling entity is Malewi Investments Pty Limited, incorporated in New South Wales, which owns 57.27% of Carbon Minerals Limited through interposed entities.

(b) Subsidiaries

Interests in subsidiaries are set out in note 23.

(c) Key management personnel compensation

	2022 $	2021 $
Short-term employee benefits	**16,000**	16,000
Post-employment benefits	**1,680**	1,600
	17,680	17,600

Detailed remuneration disclosures are provided in the remuneration report on pages 7 to 9.

(d) Loans to key management personnel

No directors of Carbon Minerals Limited or other key management personnel of the Group, including their personally related parties, held any loans with the Group or the Company during the year.

(e) 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:-

Notes to the financial statements
31 December 2022(continued)

Note 18: Related party transactions (continued)

- 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 31 December 2022 was nil and all terms remain unchanged.

(f) Other transactions with key management personnel

Professional fees of $122,500 (2021: $105,500) were payable to Mitchell & Partners (Chartered Accountants), a firm of which S.J. Danielson is a consultant and K.D. Fung and B.K. Lee are principals.

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 during the year ended 31 December 2022 (2021: Nil).

Note 19: Contingent liabilities

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

Secured guarantees exist in respect of mining tenements with the NSW Department of Trade and Investment. These guarantees comprise deposits held with financial institutions (Note 11) on behalf of:

	2022	2021
	$	$
Guarantees		
Australian Coalbed Methane Pty Limited	**75,000**	75,000

Note 20: Reconciliation of loss after income tax to net cash outflow from operating activities

	2022	2021
	$	$
Loss after income tax	**(223,230)**	(358,039)
Adjustments for non-cash items:		
Net impairment loss	**-**	126,869
Depreciation	**571**	556
Change in operating assets and liabilities:		
Increase in exploration and evaluation expenditure	**(480,876)**	(126,869)
(Increase)/decrease in interest receivable	**(6,058)**	1,309
(Increase)/decrease in other debtors	**(30,590)**	12,990
Decrease in other receivables	**3,115**	572
Increase/(decrease) in trade payables	**416,975**	(98,173)
Increase in other payables and accruals	**68,380**	11,299
Net cash outflow from operating activities	**(251,713)**	(429,486)

Notes to the financial statements
31 December 2022 (continued)

Note 21: Earnings per share

	2022 **$**	2021 $
Basic earnings per share	**(0.0119)**	(0.0190)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**18,803,498**	18,803,498
(a) Reconciliation of earnings used in calculating earnings per share		
Loss attributable to members of Carbon Minerals Limited	**(223,230)**	(358,039)
Loss attributable to minority interests	**-**	-
Loss attributable to ordinary equity holders of the Company used in calculating basic earnings per share	**(223,230)**	(358,039)

Diluted earnings per share are the same as basic earnings per share.

Note 22: 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:

	2022 **$**	2021 $
Within one year	**2,935,844**	906,500
Later than one year but not later than 5 years	**-**	2,112,017
	2,935,844	3,018,517

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 23: Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	**Country of Incorporation**	**Class of Shares**	**Equity Holding***	
			2022 **%**	2021 %
Australian Coalbed Methane Pty Limited	Australia	Ordinary	**100**	100

* The proportion of ownership interest is equal to the proportion of voting power held.

Notes to the financial statements
31 December 2022 (continued)

Note 24: Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2022 **$**	2021 $
Balance Sheet		
Current Assets	**2,820,029**	3,033,599
Total Assets	**3,801,863**	3,937,941
Current Liabilities	**219,686**	151,306
Total Liabilities	**219,686**	151,306
Shareholders' equity		
Issued capital	**8,433,899**	8,433,899
Accumulated losses	**(4,851,722)**	(4,647,264)
	3,582,177	3,786,635
Loss for the year	**(204,458)**	(231,170)
Total comprehensive income	**(204,458)**	(231,170)

(b) Contingent liabilities of the parent entity

The parent entity has secured guarantees with the Department of Industry & Investment in respect of mining tenements of subsidiaries. These guarantees comprise deposits held with financial institutions as described in note 19.

Note 25: 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.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 21 to 45 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 31 December 2022 and of its performance for the year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and the chief financial officer required by section 295A of the *Corporations Act 2001.*

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

M.P. Lincoln Smith
Director

Sydney
30 March 2023

Independent auditor's report

To the members of Carbon Minerals Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Carbon Minerals Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2022
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

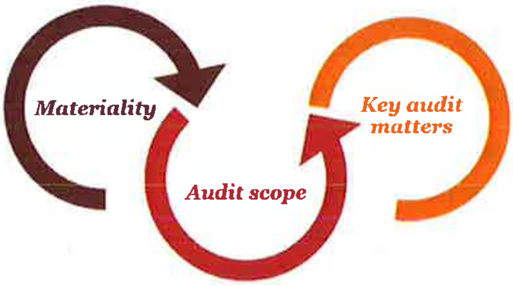
PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $40,473, which represents approximately 1% of the Group's total assets. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group assets because, in our view, it is the benchmark against which the performance of the Group is most commonly measured whilst in the exploration phase. • We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group's accounting processes are performed by a finance function in Sydney.	• Amongst other relevant topics, we communicated the following key audit matters to the directors: – Existence of cash and cash equivalents – Funding for further exploration activities • These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	*How our audit addressed the key audit matter*
Existence of cash and cash equivalents *(Refer to note 9) $2,700,817* Cash and cash equivalents, as a percentage of the total assets is 67% at 31 December 2022. Given the size of the balance and the importance of the capital structure for continued operation and growth, the existence of the Group's cash and cash equivalents was a key audit matter.	We performed the following procedures, among others: • obtained confirmations directly from the Group's banks to confirm cash and cash equivalents at year end. • evaluated whether the disclosures were consistent with the requirements of Australian Accounting Standards.
Funding for further exploration activities *(Refer to notes1(v), 18 and 22)* As described in Note 1 (v) to the financial report, the financial statements have been prepared by the Group on a going concern basis, which contemplates that the Group will continue to meet its commitments, realise its assets and settle its liabilities in the normal course of business. We focused on this area as the Group is in the exploration and development phase and therefore does not generate revenue from its operations and relies on sufficient funding to continue as a going concern. In determining the appropriateness of the going concern basis of preparation of the financial report, the Group made a number of judgements, including expenditure required to progress the Groups' projects, cash on hand at date of signing, availability of the related party loan facility to support the minimum corporate overhead expenditure required to continue operations. The Group has committed to spend $ 2,935,844 (refer note 22) on exploration activities under an agreed work program with Santos QNT Pty Limited. The total cash resources on hand was $ 2,700,817 and the undrawn available related party loan facility was an additional $1,250,000 as at 31 December 2022. Assessing the appropriateness of the going concern assumption used by the Group in preparing the financial report was a key audit matter due to its importance to the financial report and the level of judgement involved in forecasting future cashflows for a period of at least 12 months from the date of the financial report.	We performed the following procedures, among others: • evaluated the Group's assessment of its ability to continue as a going concern, including comparing the key underlying data and assumptions of the cash flow requirements to approved budgets. • developed an understanding of the forecast expenditure. • enquired of management and directors as to their knowledge of events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. • inspected signed unsecured loan facility agreement of $1,250,000 with related party Palmarc Investments Pty Limited dated 25th March 2020. • obtained support letter from the related party to reconfirm the terms of loan facility agreement. • evaluated the sufficiency of funds to support the facility agreement considering the financial position of the related party . • evaluated the adequacy of the disclosures made in the financial report, in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 8 to 12 of the directors' report for the year ended 31 December 2022.

In our opinion, the remuneration report of Carbon Minerals Limited for the year ended 31 December 2022 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Meacock
Partner

Sydney
30 March 2023

Shareholder information

The shareholder information set out below was applicable as at 21 March 2023.

1. Substantial Shareholders

The names of the substantial shareholders and the number of shares in which they have an interest, as disclosed in substantial holding notices given to the company are as follows:

Lincoln Smith Family: 15,195,997 fully paid ordinary shares
John Barry: 1,501,815 fully paid ordinary shares

2. Voting Rights

The voting rights attaching to the shares are, on a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

3. On-Market Buy-Back

There is no current on-market buy-back.

4. Distribution of Shareholders

Analysis of numbers of shareholders by size of holding:

Number of Shares	Number of Shareholders
1 - 1,000	369
1,001 - 5,000	111
5,001 - 10,000	32
10,001 - 100,000	43
100,001 and over	9
	564

(i) There were 397 holders of less than a marketable parcel of shares.

5. Twenty Largest Shareholders

The names of the twenty largest holders of shares are listed below:

Name of Shareholder:		Number Held:	Percentage of Issued Shares:
1.	Magnum Resources Pty Limited	10,763,392	57.24
2.	Pada Pty Limited as trustee for the L S Unit Trust	1,495,000	7.95
3.	Scylla Pty Limited <No. 2 Settlement A/C>	1,454,300	7.73
4.	Probex Proprietary Limited	1,143,966	6.08
5.	Pali Pty Limited	722,000	3.84
6.	Scylla Pty Limited <Scylla Superannuation Fund>	655,555	3.49
7.	Probex Pty Limited	345,415	1.84
8.	Altex Holdings Pty Limited	156,000	0.83
9.	Bond Street Custodians Limited <ACLAR2-V34796A/C>	140,000	0.74
10.	Invia Custodian Pty Limited <Sutton Super Fund A/C>	94,600	0.50
11.	Yellow 88 Pty Limited < Barry Super Fund A/C >	65,000	0.35
12.	Kingsplace Pty Limited <Kingsway Super Fund A/C>	60,442	0.32
13.	Mr. John Joseph Ruddy & Ms Elizabeth Jane Steel	58,000	0.31
14.	Mrs. Dawn Roslyn Lincoln Smith	51,050	0.27
15.	Mr. Maxwell Lory Smith	50,000	0.27
16.	Ina Barry Pty Limited <Ina Barry Super Fund A/C>	45,000	0.24
17.	Mr. Ianaki Semerdziev	43,200	0.23
18.	Mr. Xing Wang Li	40,000	0.21
19.	Nefco Nominees Pty Limited	40,000	0.21
20.	Pada Pty Limited <Malewi Investments P/L Staff Superannuation Scheme>	40,000	0.21
		17,462,920	92.87

6. Schedule of Petroleum Tenements

Location	Tenement Reference	Holder	Interest	Area	Current to
New South Wales:					
Gunnedah	PEL 1	ACM	35%[1]	54 blocks	12/04/2028
Bando	PEL 12	ACM	35%[1]	22 blocks	12/04/2028

Key to Tenement Types

PEL Petroleum Exploration Licence

Key to Tenement Holders

ACM Australian Coalbed Methane Pty Limited

Notes

1. PELs 1 and 12 are subject to a joint arrangement with Santos QNT Pty Ltd (Santos). Santos has a 65% interest in the tenements.