

Carbon Minerals Limited

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QUARTERLY ACTIVITIES REPORT to December 31, 2014

REVIEW of OPERATIONS GUNNEDAH BASIN COALBED METHANE 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), as previously advised. Santos has acquired a 65% interest in the tenements and is the project Operator.)

Field operations during the quarter were limited to routine well and property inspections and completion of the 18th round of surface water sampling. This completes the minimum sampling program required to establish a baseline of surface water quality throughout the tenements. Discussions, information sessions and site visits for local community groups are ongoing.

An application for renewal of PEL 1 was lodged in December together with the required renewal report and supporting documentation.

The Company and Santos are working on the appropriate work program and budget for the 2015 year based on the current oil price environment. Subject to final agreement, this could include the provision for the resumption of on-ground exploration activities.

Following the NSW Chief Scientist's final report on the coal seam gas industry (September 2014) the NSW Government released the **NSW Gas Plan**. The Gas Plan accepts the findings and recommendations of the Chief Scientist's Report and outlines both the need to develop an onshore gas production industry within NSW and measures the Government has introduced in order to enable this to proceed in a safe and sustainable manner. It states that "*without affordable and reliable gas supplies our manufacturers will struggle to compete and households will pay higher prices*" and that the benefits of development of a gas industry "*will be delivered by a strong, certain and trusted regulatory system, supported by science and information*".

The Gas Plan and associated information can be found at
<http://www.resourcesandenergy.nsw.gov.au/energy-supply-industry/legislation-and-policy/nsw-gas-plan>

CARBON MINERALS LIMITED

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**QUARTERLY ACTIVITIES REPORT
FOR THE THREE MONTHS ENDED 31 DECEMBER 2014****Exploration Expenditure Incurred**

Exploration expenditure incurred during the quarter ended 31 December 2014 on the group's projects is set out below:-

Project	Amount Incurred
New South Wales PELs 1 & 12 (Gunnedah Basin)	\$313,918 =====

SCHEDULE OF MINERAL TENEMENTS AS AT 31 DECEMBER 2014

<i>LOCATION</i>	<i>TENEMENT</i>	<i>HOLDER</i>	<i>INTEREST</i>	<i>AREA</i>	<i>CURRENT TO</i>
New South Wales:					
Gunnedah	PEL 1	ACM	35% ¹	72 blocks	10/02/2015 ²
Bando	PEL 12	ACM	35% ¹	31 blocks	26/09/2016

Key to Tenement Types

PEL Petroleum Exploration Licence

Key to Tenement Holders

ACM Australian Coalbed Methane Pty Limited

Notes

- PELs 1 and 12 are subject to an arrangement with Santos QNT Pty Ltd ("Santos"), in which Santos has a 65% interest in each tenement.
- Application for renewal submitted.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

CARBON MINERALS LIMITED

ABN

29 001 836 586

Quarter ended ("current quarter")

31 DECEMBER 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A	Year to date (12 months) \$A
1.1 Receipts from product sales and related debtors	3,192	510,938
1.2 Payments for (a) exploration & evaluation	(314,286)	(766,905)
(b) development	-	-
(c) production	-	-
(d) administration	(51,291)	(228,704)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	49,166	198,310
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(1,395)	(3,213)
Net Operating Cash Flows	(314,614)	(289,574)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(314,614)	(289,574)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(314,614)	(289,574)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(314,614)	(289,574)
1.20	Cash at beginning of quarter/year to date	5,785,112	5,760,072
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	5,470,498	5,470,498

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

	Current quarter \$A	
1.23	Aggregate amount of payments to the parties included in item 1.2	32,190
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.2(d) includes directors fees of \$2,790 and \$29,400 secretarial fees paid to an entity, of which company directors are principals.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A	Amount used \$A
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A
4.1 Exploration and evaluation	355,000
4.2 Development	-
4.3 Production	-
4.4 Administration	60,000
Total	415,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A	Previous quarter \$A
5.1 Cash on hand and at bank	897,519	1,251,557
5.2 Deposits at call	4,572,979	4,533,555
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	5,470,498	5,785,112

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	18,803,498	18,803,493	Various
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			
7.5	+Convertible debt securities (description)			

+ See chapter 19 for defined terms.

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Company secretary

Date: 30 January 2015

Print name: Steven Danielson

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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