



Carbon Minerals Limited

ABN 29 001 836 586 – ASX Code CRM
Seam Gas Pioneers of the Gunnedah Basin, NSW
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CARBON MINERALS LIMITED **QUARTERLY REPORT** **to March 31, 2013**

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 now acquired a 65% interest in the tenements and is the project Operator.)

The company's long serving Chairman and CEO, Mr. Paul Lincoln Smith sadly passed away on 3 March 2013. The responsibilities of Chairman and CEO have been undertaken by Marcus Lincoln Smith following his election as Chairman and appointment as CEO on 13 March 2013.

Mr. Mal Bunny has now retired and ceased to act as the group's principal technical advisor. The group thanks Mr. Bunny for his service and acknowledges the significant contribution he has made during his long association with the group.

Renewal of PEL12

As noted in the previous quarterly report, renewal of PEL12 was anticipated early in 2013. The renewal was approved by the Minister on 15 February 2013 for a further term until 26 September 2016.

New State and Commonwealth Government Regulations

During the quarter both the NSW and the Commonwealth Governments placed further restrictions on the seam gas industry.

➤ **New NSW Government Controls**

On 19 February NSW Premier O'Farrell announced a package of new controls which comprised:

- Environmental and health impacts of CSG activities are to be regulated by the Environment Protection Authority (EPA)
- An Environment Protection Licence will be required for all exploration, assessment and production titles and activities
- An independent review of all CSG activities in NSW will be undertaken by the Chief Scientist and Engineer. This review will include the potential impact on water catchments.
- An Office of CSG Regulation will be established within the Department of Trade and Investment to enforce other regulations.
- A two kilometre exclusion zone around residential land will be imposed on new CSG exploration, assessment and production activities. Initial uncertainty as to what areas will be considered “residential land” was clarified in the relevant SEPP Amendment (draft) released for public consultation on 14 March. PELs 1 and 12 will be affected to a relatively minor extent by zones around towns and villages.
- Similar exclusion zones will apply to identified Critical Industry Clusters - viticulture and the equine industry. No Critical Industry Clusters are defined within PELs 1 and 12.

➤ **Commonwealth Government EPBC Bill**

(Environmental Protection and Biodiversity Conservation Amendment Bill 2013)

This Bill, if passed by the Senate, will provide for the protection of water resources from coal mining and seam gas developments. Any coal mining or seam gas development which is considered to have a significant impact on a water resource (surface or underground) will require approval under the Environmental Protection and Biodiversity Conservation Act 1999. This is unrelated to the role of the Independent Expert Scientific Committee on Coal Seam Gas and Large Coal Mining Development announced late last year.

Impact of the new regulations

Apart from the effective sterilization of seam gas resources within the two kilometre “no go” zones, the requirement for Environmental Protection Licences will result in delays to exploration. The impact of other measures is, at this stage, not clear. Unfortunately this adds further uncertainty to seam gas exploration within NSW, to the extent that two explorers have already announced cessation of activities for the foreseeable future.

Whilst Joint Venture Operator Santos has no plans to cease exploration within PELs 1 and 12, work planned for the first quarter of 2013, viz remediation works at Kahlua and additional core hole drilling, was not undertaken. The industry is seeking clarification from the NSW Government regarding the new regulations and Santos has made a submission to Government in relation to the draft SEPP during the public consultation period which ended on 12 April.

Work is continuing with obtaining approvals and landowner agreements relating to planned exploration wells, baseline environmental studies and environmental monitoring and a range of community liaison matters.

Links to relevant government announcements are as follows:

NSW Government

- [19 February Media Release](#) - Premier O'Farrell
- [21 March Media Release](#) - Minister for Planning and Infrastructure Brad Hazzard
- [State Environmental Planning Policy \(Mining, Petroleum Production and Extractive Industries\) Amendment \(Coal Seam Gas Exclusion Zones\) 2013](#)

Commonwealth Government

[Environmental Protection and Biodiversity Conservation Amendment Bill 2013](#)

CARBON MINERALS LIMITED

ABN 29 001 836 586

**QUARTERLY ACTIVITIES REPORT
FOR THE THREE MONTHS ENDED 31 MARCH 2013****Exploration Expenditure Incurred**

Exploration expenditure incurred during the quarter ended 31 March 2013 on the group's projects is set out below:-

| Project | Amount Incurred |
|---|------------------------|
| New South Wales PELs 1 & 12 (Gunnedah Basin) | \$ 4,209,968 ===== |

SCHEDULE OF MINERAL TENEMENTS AS AT 31 MARCH 2013

| <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 |
| 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

1. 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.

Appendix 5B

Mining 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

Name of entity

CARBON MINERALS LIMITED

ABN

29 001 836 586

Quarter ended ("current quarter")

31 MARCH 2013

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A | Year to date (3 months) \$A |
|---|------------------------|-----------------------------------|
| 1.1 Receipts from product sales and related debtors | 88,053 | 88,053 |
| 1.2 Payments for (a) exploration & evaluation | (4,237,458) | (4,237,458) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (104,127) | (104,127) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 136,494 | 136,494 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other – Primary production costs | (369) | (369) |
| Net Operating Cash Flows | (4,117,407) | (4,117,407) |
| 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) | (4,117,407) | (4,117,407) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|------|--|-------------|-------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (4,117,407) | (4,117,407) |
| | 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 | - | - |
| | Net financing cash flows | - | - |
| | Net increase (decrease) in cash held | (4,117,407) | (4,117,407) |
| 1.20 | Cash at beginning of quarter/year to date | 15,546,432 | 15,546,432 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 11,429,025 | 11,429,025 |

Payments to directors of the entity and associates of the directors

Payments to 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 | 125,210 |
| 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 paid \$64,200; directors' superannuation contributions paid \$5,400; secretarial fees of \$48,000 paid to an entity, of which company directors are principals and \$7,610 legal fees paid to an entity controlled by a related party.

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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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 | - | - |

+ See chapter 19 for defined terms.

| | | |
|---------------------------------|---|---|
| 3.2 Credit standby arrangements | - | - |
|---------------------------------|---|---|

Estimated cash outflows for next quarter

| | | \$A |
|--------------|----------------------------|------------------|
| 4.1 | Exploration and evaluation | 3,025,000 |
| 4.2 | Development | - |
| 4.3 | Production | - |
| 4.4 | Administration | 120,000 |
| Total | | 3,145,000 |

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 | 5,140,055 | 268 |
| 5.2 Deposits at call | 6,288,970 | 15,546,164 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 11,429,025 | 15,546,432 |

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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.

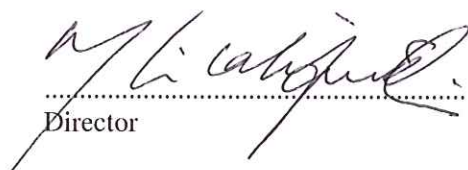
| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|--------------|---------------|---|--|
| 7.1 Preference securities <i>(description)</i> | | | | |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 *Ordinary securities | 18,803,498 | 18,803,493 | Various | Fully paid |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | | | | |
| 7.5 *Convertible debt securities <i>(description)</i> | | | | |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 Options <i>(description and conversion factor)</i> | | | <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 <i>(totals only)</i> | | | | |
| 7.12 Unsecured notes <i>(totals only)</i> | | | | |

+ See chapter 19 for defined terms.

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:


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Director

Date: 30 April 2013

Print name: Marcus Lincoln Smith

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.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining 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, 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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+ See chapter 19 for defined terms.