

Carbon Minerals Limited

ABN 29 001 836 586 – ASX Code CRM

Seam Gas Pioneers of the Gunnedah Basin NSW

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QUARTERLY ACTIVITIES REPORT to September 30, 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.)

Drilling and associated works remain on hold within PELs 1 and 12 and no resumption of field work is envisaged until the consequences of previously advised changes to the regulatory regime are fully assessed. In view of the lack of field activity, applications were made by the Operator to the NSW Office of Coal Seam Gas for variations to the required work programs for PELs 1 and 12. These variations were approved by the government and the licences remain in good standing notwithstanding the fact that field works previously required by the minimum work programs for the tenements have not eventuated.

The Operator continues with baseline environmental studies and community liaison in order to build the JV's social licence to operate in the area.

During the past Quarter the NSW Chief Scientist released her Initial Report on Coal Seam Gas activities in NSW. [This is in accord with the announcement by the Premier of 19 February 2013.] This interim report made a number of high-level recommendations aimed at establishing a basis for the Government to “*build confidence that it has the intention and capacity to oversee a safe CSG industry*”. The Chief Scientist's investigations will continue into 2014 when a final report is anticipated. The initial report and background papers can be downloaded from

<http://www.chiefscientist.nsw.gov.au/coal-seam-gas-review/initial-report-july-2013>

On 3 October the NSW Government announced¹ that the previously flagged changes in legislation relating to CSG exclusion zones in residential areas are now in effect as is the Gateway process for CSG and mining proposals that lie over Biophysical Strategic Agricultural Land (BSAL). There is also a proposal to extend the residential exclusion zones to include specific “future growth areas” and “areas that meet ‘village’ criteria”. Within PEL1 several small areas surrounding the Quirindi township are identified for “future growth” but these are not in areas considered prospective for CSG.

¹ Additional information (including the 3 October media release) can be obtained from the NSW Dept Planning web page for coal seam gas exclusion zones - <http://www.planning.nsw.gov.au/coal-seam-gas-exclusion-zones>

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Also on 3 October maps defining BSAL over coastal areas and the Central West were released for comment². One year ago (September 2012) Strategic Regional Land Use Policies, including maps showing BSAL, were released for the Upper Hunter and the New England North West (NENW) regions. The NENW region includes PEL1 and the eastern part of PEL12 both of which include areas of BSAL. The new maps include the remainder of PEL12 which has areas of BSAL concentrated in the north of the tenement.

On 26 September the state-organised NSW Energy Security Summit brought together industry, State and Federal politicians and academics to discuss the future of energy supply in NSW. A prime topic was the issue of gas shortages in the near future. The new Federal Government's Resources Minister, Ian Macfarlane, highlighted the need for NSW to facilitate CSG exploration and development. Mr Macfarlane warned of the loss of jobs, the impact on industry and high gas prices and highlighted the need to urgently develop the state's CSG resources.

² Maps and other details are available from <http://www.planning.nsw.gov.au/en-au/planningyourregion/strategicregionallanduse/biophysicalstrategicagriculturalallandmapping.aspx>

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**QUARTERLY ACTIVITIES REPORT
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2013****Exploration Expenditure Incurred**

Exploration expenditure incurred during the quarter ended 30 September 2013 on the group's projects is set out below:-

Project	Amount Incurred
New South Wales PELs 1 & 12 (Gunnedah Basin)	\$2,294,686 =====

SCHEDULE OF MINERAL TENEMENTS AS AT 30 SEPTEMBER 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")

30 SEPTEMBER 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A	Year to date (9 months) \$A
1.1 Receipts from product sales and related debtors	3,343	91,396
1.2 Payments for (a) exploration & evaluation	(3,351)	(5,263,594)
(b) development	-	-
(c) production	-	-
(d) administration	(116,761)	(457,189)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	80,257	315,742
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	(2,129,687)
1.7 Other	(397)	(1,135)
Net Operating Cash Flows	(36,909)	(7,444,467)
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)	(36,909)	(7,444,467)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(36,909)	(7,444,467)
	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	(36,909)	(7,444,467)
1.20	Cash at beginning of quarter/year to date	8,138,874	15,546,432
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	8,101,965	8,101,965

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	39,521
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 \$5,121 legal fees paid to an entity controlled by an associate of a director and secretarial fees of \$34,400 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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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.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	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	3,295,000
4.2 Development	-
4.3 Production	-
4.4 Administration	65,000
Total	3,360,000

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	1,686,554	1,789,084
5.2 Deposits at call	6,415,411	6,349,790
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	8,101,965	8,138,874

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>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)		
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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: Date: 30 October 2013
Company Secretary

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.
- 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.