

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, 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 of the Company, Australian Coalbed Methane Pty Ltd (ACM) and Santos QNT Pty Ltd (Santos) subject to a Joint Venture (JV) between the Parties. Santos has a 65% interest in the JV and is the project Operator.)

Operator Santos continues with baseline environmental studies, including sampling surface water, groundwater investigations and studies of background levels of atmospheric methane (i.e. in the absence of any gas extraction). In order to establish baseline levels and variations, it is important that this work, be undertaken prior to commencement of coal seam gas (CSG) operations.

In August the Company's CEO Dr Marcus Lincoln Smith, accompanied by geologist Mr Ian Milligan, inspected the Kahlua site and other areas within PEL1 as well as visiting the Santos stand at Agquip¹, Marcus also visited Santos operations in the Pilliga and at Roma in Queensland to gain a broader understanding of the industry.

A number of governmental matters occurred in September which are relevant to the CSG industry in NSW.

- On 25 September the NSW Government announced an extension for a further year of the freeze on processing of new Petroleum Exploration Licence Applications (originally imposed for 6 months from March 2014). This will not affect the Company's existing granted tenure.
- On 30 September the Chief Scientist released the final report on the Independent Review of Coal Seam Gas Activities in NSW². The report presented findings and recommendations to Government as well as reports on regulatory compliance and

¹ AgQuip is Australia's largest rural industry field day and draws over 100,000 visitors from throughout NSW, interstate and overseas. Santos operates an information stand at AgQuip.

² <http://www.chiefscientist.nsw.gov.au/latest-news/chief-scientist-and-engineer-releases-final-report-from-independent-csg-review>

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information papers on technical issues. The Review found that increasing gas supply by development of a CSG industry in NSW can alleviate concerns relating to supply shortages and rising prices. CSG development can also benefit local communities via employment, service industry opportunities and new revenue for landowners. The report noted that significant community concerns remain, relating to land access, the impact on groundwater and other environmental effects, pressure on infrastructure, inconsistent legislation and a perceived lack of consultation and trust. The report then stated that, given effective controls, "these risks can be managed". It was further stated that the "all industries have risks" and the industry, Government and community need to work together to mitigate such risks and be prepared to respond to any problems. A number of recommendations were made to enable future development of the industry in a safe, equitable and environmentally responsible manner.

- In late September the Federal Government released a Green Paper³ (as part of the process towards preparation of its Energy White Paper) which highlighted the increased demand expected on east coast gas supplies due to the commencement of Queensland LNG exports. The paper noted that: "The Australian Government considers that bringing on new east coast supply as quickly as possible, and improving market transparency and competition, are the best responses to eastern gas market pressures."

³ http://ewp.industry.gov.au/sites/prod2.ewp.industry.gov.au/files/egp/energy_green_paper.pdf

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**QUARTERLY ACTIVITIES REPORT
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2014****Exploration Expenditure Incurred**

Exploration expenditure incurred during the quarter ended 30 September 2014 on the group's projects is set out below:-

Project	Amount Incurred
New South Wales PELs 1 & 12 (Gunnedah Basin)	\$241,895 =====

SCHEDULE OF MINERAL TENEMENTS AS AT 30 SEPTEMBER 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
Bando	PEL 12	ACM	35% ¹	31 blocks	26/09/2016 ²

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.
2. Application for renewal pending.

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")

30 SEPTEMBER 2014

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	8,256	507,746
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(242,617) - - (27,196)	(452,619) - - (177,413)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	50,454	149,144
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(888)	(1,818)
Net Operating Cash Flows	(211,991)	25,040
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)	(211,991)	25,040

+ 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)	(211,991)	25,040
	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	(211,991)	25,040
1.20	Cash at beginning of quarter/year to date	5,997,103	5,760,072
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	5,785,112	5,785,112

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	7,080
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 \$3,210; superannuation contributions for directors of \$570; and \$3,300 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	250,000
4.2 Development	-
4.3 Production	-
4.4 Administration	50,000
Total	300,000

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	1,251,557	1,503,754
5.2 Deposits at call	4,533,555	4,493,349
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	5,785,112	5,997,103

+ 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: 28 October 2014

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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