



Carbon Minerals Limited

ABN 21 001 836 586 – ASX Code CRM
Seam Gas Pioneers of the Gunnedah Basin, NSW
www.carbonminerals.com.au

Administration

Level 7
10 Barrack Street
SYDNEY NSW 2000
Phone +61 (0)2 9299 3655
admin@carbonminerals.com.au

Operations

Suite 2.06
56 Delhi Road
NORTH RYDE NSW 2113
Phone +61 (0)2 9887 1365
info@carbonminerals.com.au

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Update on Gunnedah Basin Seam Gas Project

(Australian Coalbed Methane Pty Ltd - 35%, Santos QNT Pty Ltd - 65% and Operator)

Shareholders will be aware that various community and administrative constraints over recent months have necessitated curtailment of field activities by Carbon's wholly-owned subsidiary, Australian Coalbed Methane (ACM) and its Joint Venture partner Santos, on their prospective coal seam gas project in the Gunnedah Basin.

On March 6 the NSW Government released Draft Strategic Land Use Plans via media releases by the **Hon Chris Hartcher** (Minister for Resources and Energy) and the Minister for Planning and Infrastructure (The Hon Brad Hazzard).

While these plans will add significantly to bureaucratic processes affecting mining and coal seam gas development, particularly in areas designated as "Strategic Agricultural Land", Carbon is hopeful that at least these processes can now resume, and that a recommencement of the important resource-definition activities can be made in Petroleum Exploration Licences 1 and 12.

In his March 6, 2012 media release the **Hon Chris Hartcher** (Minister for Resources and Energy) has confirmed that the Government's **Strategic Land Use Package** will protect high value agricultural land and water aquifers from gas exploration activities. His release continued:

In response to a number of inaccurate claims made by stakeholders, including the NSW Farmers Association, Minister Hartcher reiterated that tough new CSG rules under the Government's Strategic Land Use policy will apply to all exploration licence activities.

"Contrary to suggestions, fracking is not currently occurring in NSW as a result of a moratorium put in place by this Government pending the completion of a scientific review into fracking and well design," Mr Hartcher said.

"Aquifer protection is also far stronger than claimed with water extraction from exploration wells requiring a water licence if more than three megalitres is removed.



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“Furthermore, groups of five or more exploration or pilot wells must go through the ‘gateway’ process and if certified, then through the planning assessment process.

“Contrary to claims, there is no ‘business as usual’ with new controls applying to all current and future exploration licences.

“Aquifers are far more effectively protected than they have ever been - NSW now has the toughest regime in Australia.”

Further information is available at
www.haveyoursay.nsw.gov.au/regionalanduse

The “gateway process” referred to by the Minister is a method of dealing with competing land uses. It is a process administered by the Federal Government, and to which New South Wales announced its participation on March 7, 2012. A panel of experts will assess mining or coal seam gas developments on or within 2 kilometres of what has been defined (and mapped) as Strategic Agricultural Land (SAL). This assessment is in addition to any other statutory processes required under both Federal and State legislation.

In a coordinated release by the Minister for Planning and Infrastructure (The Hon Brad Hazzard), it was stated:

“Today we’re announcing a draft proposal for the delivery of a strategic regional land-use policy to ensure prime agricultural land and critical industry clusters like the thoroughbred and wine industries are safeguarded,” Mr Hazzard said.

“We’re also giving improved certainty for the State’s important resources industry by establishing clear rules and a transparent assessment process.”

As noted above, while these announcements clearly foreshadow more stringent conditions for exploration and development, it is hoped that they will constitute an important step in permitting approved activities to resume.

Project Operator Santos has issued a press release on these draft plans. This can be viewed on the Santos website.



Steven J. Danielson - Company Secretary

