



Carbon Minerals Limited

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Seam Gas Pioneers of the Gunnedah Basin, NSW
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CARBON MINERALS LIMITED

QUARTERLY ASX REPORT
to June 30, 2012

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.)

There were no new field exploration or appraisal programs conducted in the Gunnedah Project during the reporting period. While social opposition and administrative constraints continue to hinder a recommencement of field activities, the Company is hopeful that both industry and Government efforts to present a science-based account of responsible seam gas exploration and development, and its important role in both national and state economies are beginning to have an impact.

In announcing a new administrative levy to be applied to the NSW resources sector (NSW Government release dated June 12, 2012¹), Resources Minister Chris Harcher stated that *“The NSW Government’s commitment to the mining industry recognises the key role mineral and gas exploration will play in rebuilding the NSW economy”*.

While this levy, and a further annual charge to apply to mineral and gas tenements will add to the administrative overheads associated with resource exploration and development, the Government’s clear declaration of the importance of this sector is encouraging. In conjunction with Operator Santos’ continuing commitment to open engagement with local communities (e.g. *“Santos News for the People of the Gunnedah Basin”*, issue 6, June 2012, available via the Santos website) it is hoped that much of the ill-founded opposition to seam gas activities will be dispelled to permit a resumption of responsible exploration and development.

¹ http://www.resources.nsw.gov.au/_data/assets/pdf_file/0018/434340/120612_budget.pdf

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In an update on the Gunnedah Project released to the ASX² on March 9, 2012, we outlined the release by the New South Wales Government of ***Draft Strategic Land Use Plans***. The Government advised that comment and formal submissions on these proposals would be accepted up to May 3, 2012, and our JV partner, Santos and the Company's technical advisers, Earth Resources Australia Pty Limited (ERA), have both lodged a formal submission.

A thorough review of submissions and formulation of specific outcomes by the relevant administrative bodies will also clearly be another important component in the resumption of responsible activities. We will continue to keep shareholders advised of these matters.

² <http://www.asx.com.au/asxpdf/20120309/pdf/424xsql8hhcgvv.pdf>

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**QUARTERLY ACTIVITIES REPORT
FOR THE THREE MONTHS ENDED 30 JUNE 2012**

Exploration Expenditure Incurred

Exploration expenditure incurred during the quarter ended 30 June 2012 on the group's projects is set out below:-

Project	Amount Incurred
New South Wales PELs 1 & 12 (Gunnedah Basin)	\$ 41,936 =====

SCHEDULE OF MINERAL TENEMENTS AS AT 30 JUNE 2012

<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	26/09/2011 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 a farmin agreement with Santos QNT Pty Ltd ("Santos"), in which Santos has earned an initial 25% interest. Pursuant to an agreement between ACM and Santos, a further 40% equity in each tenement has been transferred to Santos for a cash consideration of \$15 million, taking Santos' interest in each tenement to 65%.

2. A renewal application has been lodged for this tenement.