



Carbon Minerals Limited

ABN 29 001 836 586 – 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

CARBON MINERALS LIMITED

**QUARTERLY REPORT
to December 31, 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.)

Latest advice to the Company from JV operator Santos regarding exploration and assessment work is as follows.

The drilling rig scheduled for work designed to enhance production from the **Kahlua pilot** has been subject to minor delays related to rig modification and safety inspections. This resulted in postponement of this work until January 2013.

Resumption of **regional core drilling** is still scheduled to commence in the first quarter of 2013 with a total of five exploration wells proposed for the first three quarters. The primary purpose of this work is to fill in data in the north-west of PEL1 required for 2P reserve determination and to test areas prior to the drilling of pilot wells in the second half of the year.

Preliminary work is under way in preparation for further **seismic acquisition** scheduled for the second quarter of 2013.

An offer of **renewal for PEL12** for a five year term has been received by the Operator from NSW Trade and Investment, Resources and Energy. Following clarification and amendment of a number of conditions, a revised offer of renewal has been accepted by both Santos and Australian Coalbed Methane and lodged with Trade and Investment. Confirmation of renewal is expected in late January.

ENDS

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CARBON MINERALS LIMITED
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QUARTERLY ACTIVITIES REPORT
FOR THE THREE MONTHS ENDED 31 DECEMBER 2012

Exploration Expenditure Incurred

Exploration expenditure incurred during the quarter ended 31 December 2012 on the group's projects is set out below:-

Project	Amount Incurred
New South Wales PELs 1 & 12 (Gunnedah Basin)	\$ 51,542 =====

SCHEDULE OF MINERAL TENEMENTS AS AT 31 DECEMBER 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. Instrument of offer of renewal of PEL 12 has been signed and lodged with the Department of Energy and Resources and is currently awaiting Ministerial approval.

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 DECEMBER 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A	Year to date (12 months) \$A
1.1 Receipts from product sales and related debtors	87,182	339,749
1.2 Payments for (a) exploration & evaluation	(67,820)	(228,311)
(b) development	-	-
(c) production	-	-
(d) administration	(50,374)	(321,683)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	114,868	681,167
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Primary production costs	(369)	(2,038)
Net Operating Cash Flows	83,487	468,884
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)	83,487	468,884

+ See chapter 19 for defined terms.

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	83,487	468,884
	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	83,487	468,884
1.20	Cash at beginning of quarter/year to date	15,462,945	15,077,548
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	15,546,432	15,546,432

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	37,293
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 secretarial fees of \$32,560 paid to an entity, of which company directors are principals and \$4,733 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	1,000,000	Nil

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3.2 Credit standby arrangements	-	-
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Estimated cash outflows for next quarter

		\$A
4.1	Exploration and evaluation	60,000
4.2	Development	-
4.3	Production	-
4.4	Administration	12,000
Total		72,000

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	268	11,368
5.2	Deposits at call	15,546,164	15,451,577
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		15,546,432	15,462,945

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			

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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>				


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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:


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Director

Date: 11 January 2013

Print name: Paul 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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