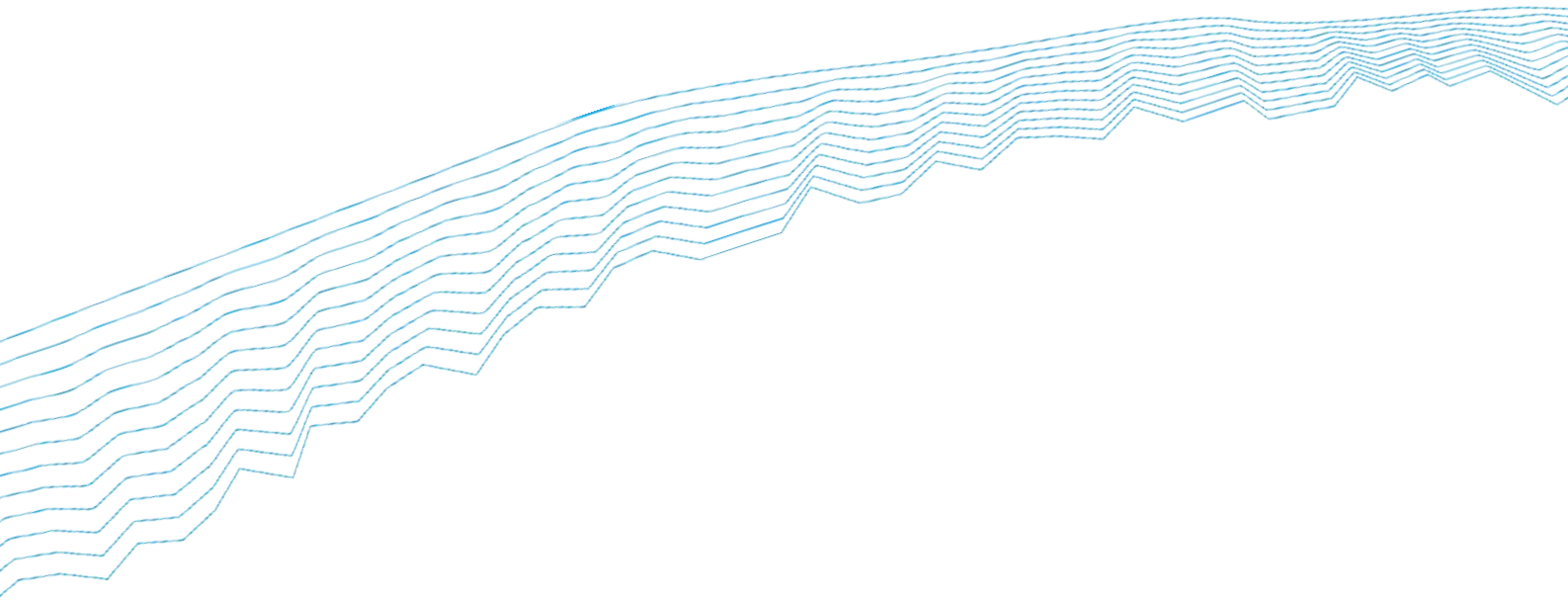


CARBON ENERGY LTD  
QUARTERLY REPORT  
SEPTEMBER 2013



carbon**energy**

# CARBON ENERGY LIMITED

## QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2013

ABN 56 057 552 137

ASX Code: CNX OTCQX Code: CNXAY

### KEY EVENTS OF THE QUARTER

- The Queensland Government released the final report and findings of the Independent Scientific Panel (ISP) including the acceptance of the overarching recommendations by the ISP. Carbon Energy welcomed the pathway to commercialisation being set for the UCG industry in Queensland.
- \$3.64 million was raised from the entitlements accepted and additional securities applied for under the Rights Issue Subscription (\$2.64 million) and Private Placement (\$1 million) with HEC.
- Carbon Energy signed a Memorandum of Understanding (MOU) to become the UCG technology partner to the Delmo Group for a commercial scale Argentinean UCG Project, intended to supply electricity via an offtake agreement to the Argentinean Government for which negotiations are underway.
- PCF Capital Group was appointed as marketing agents to monetise Carbon Energy's coal assets.
- An agreed outcome was reached over the outstanding legal matter with the Department of Environment and Heritage Protection (DEHP).
- Carbon Energy relinquished its rights to explore tenements in Wyoming (USA) and North Dakota/Montana (USA).

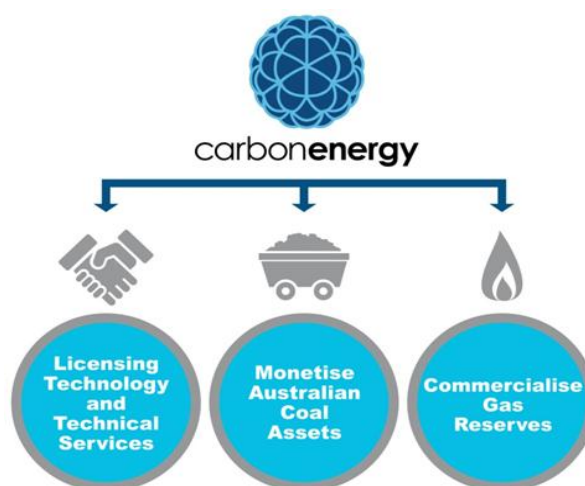
### KEY EVENTS SUBSEQUENT TO QUARTER END

- Secured a new cornerstone investment of \$3.4 million through placement of a portion of the Rights Issue Shortfall.
- Received \$3.78 million as a research and development (R&D) tax incentive cash rebate for eligible FY13 R&D expenditure.
- Repaid in full the outstanding balance of \$3 million on the debt facility with Credit Suisse.
- MOU signed to potentially acquire 100% of the Mulpun UCG Project in Chile subject to securing a joint venture funding partner and the acceptance of the commercial terms of the acquisition by project partner, Antofagasta Minerals S.A.

## BUSINESS MODEL & GROWTH STRATEGIES

During the September 2013 quarter, Carbon Energy implemented business efficiency measures through management of operational costs, and strengthened the Company's balance sheet by securing new cornerstone investors and successfully raising funds through a Rights Issue.

The Company maintained focus on building a solid commercial operation in Australia and pursued other growth initiatives by advancing the UCG project in Inner Mongolia and seeking and advancing partnership opportunities around the world.



## LICENSING TECHNOLOGY & TECHNICAL SERVICES

### CHINA

#### Inner Mongolia:

On 19 August 2013, Carbon Energy reached agreement on the scope of works for the design and commissioning of the first UCG panel, the Process Characterisation Panel (PCP), with project partners Zhengzhou Group. Carbon Energy is expected to receive \$8.25 million in fees in a series of instalments for the delivery of the PCP which is scheduled to be commissioned in 2014.

Further Engineering Services Fees (fees payable still to be agreed as dependent upon the scope of works to be developed) and \$7 million in Technology License Fees are payable for subsequent phases regarding the implementation of the commercial scale project, on achievement of certain milestones.

Carbon Energy geologists will be on-site in the Haoqin coal field in Inner Mongolia at the start of the technical services phase to oversee drilling and testwork for characterisation of the PCP site.

A previous site characterisation desktop study estimated that there is sufficient resource at the project site to support the potential to power a 1,000MW power station or produce 50 PJ/annum Synthetic Natural Gas (SNG) for over 30 years.



Technical experts visit Haoqin Coal Field



Haoqin Coal Field PCP location

### Shanxi Coal:

Carbon Energy executed a definitive agreement with Shanxi Coal Transportation and Sales Group (Shanxi Coal) on 18 October 2012. The agreement provided for a technology fee of US\$10 million with US\$7.5 million payable within 30 days of the execution of the agreement and the balance upon achievement of project milestones. The project however stalled due to changes in key government officials in Shanxi Province, China. Carbon Energy continued commercial discussions with Shanxi Coal in good faith however the initial technology payment is yet to be received. A letter of demand for the payment of the initial technology licensing fee has been forwarded to Shanxi Coal. Under the contract, Shanxi Coal has 30 days to remedy the breach of contract.

## CHILE

Subsequent to quarter's end, Carbon Energy signed a Memorandum of Understanding (MOU) to potentially acquire all rights, title and interest in and to the Mulpun UCG Project in Chile, South America that are currently held by the Company's project partner, Antofagasta Minerals S.A. (AMSA).

The MOU acknowledges that Carbon Energy's ability to acquire AMSA's rights in the project is dependent upon the Company securing third party funding for the project and the acceptance of the commercial terms of the acquisition by AMSA, and gives Carbon Energy up until 28 February 2014 to secure third party funding and execute a definitive agreement with AMSA for the acquisition.

Carbon Energy is currently in discussions with potential equity partners and debt funding providers to fund the project including a party interested in constructing the power station and entering into a long term syngas off-take agreement. Furthermore the Company will be seeking to appoint a Corporate and Asset Finance Advisory Group to assist with securing the necessary project funding partners.

Several major project milestones have already been achieved including:

- Environmental Permit Approval for the Process Characterisation Panel obtained;
- Geological Assessment completed;
- Panel Location selected;
- Roads and Site established;
- Monitoring Wells and Drilling Pads completed;
- Panel Drilling materials purchased & on-site;
- Drilling Rig and Services identified;

- Final Design Plan completed; and
- Front-end Engineering Design (FEED) Study completed.

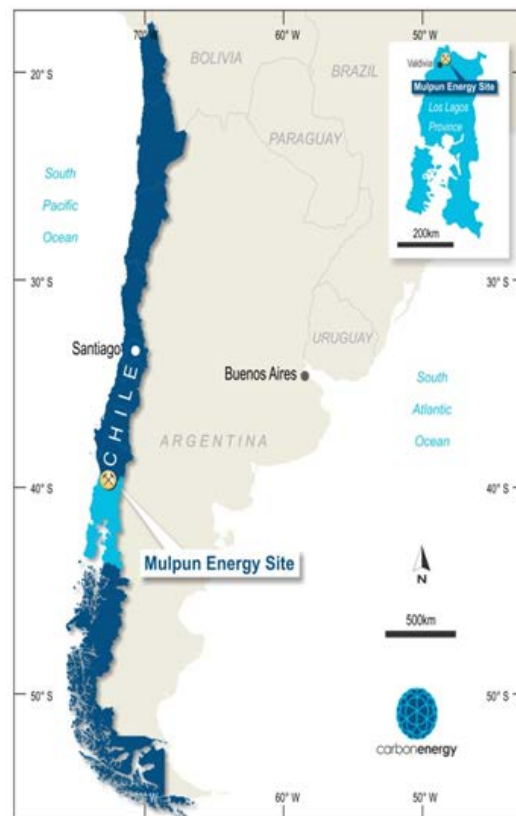
On the basis of the pre-feasibility study for power generation that has been completed by AMSA, the proposed project aims to supply syngas to a minimum 250MW power station.



Site Established - Entrance



Monitoring Well Drilling on Vertical Drilling Pad



Mulpun Energy Site Location

## ARGENTINA

On 23 July 2013, Carbon Energy signed a Memorandum of Understanding (MOU) with Delmo Group Pty Limited (Delmo) to become the UCG technology partner for a commercial scale UCG project in Argentina.

Argentina is experiencing rising electricity demand and the country's government is in the process of commissioning large scale generation and transmission sector projects to meet this demand. Delmo, with its strong links to Argentina, identified an opportunity for UCG to help satisfy the demand in Argentina, and acquired coal exploration rights to over 600,000 hectares of land in the Claromeco Coal Basin in Argentina. The UCG project is proposed to generate 300MW of electricity from UCG syngas, with further expansions planned.

Carbon Energy has agreed a US\$10 million technology licence fee for the project with US\$7.5 million paid on completion of the Bankable Feasibility Study and US\$2.5 million on successful ignition of the initial Process Characterisation Panel. The Company will also receive technology services fees and ongoing royalty once first revenue is generated from the project.

Since signing the MOU, the Technical Services Agreement (TSA) has been drafted and the parties have agreed to finalise the TSA once the Power Purchase Agreement (PPA) has been approved by the Argentine Government. Delmo has made progress in obtaining a PPA with the Argentine Government and has held a series of meetings with the Government's Department of Energy to develop a proposal for the issuing of the PPA. The proposal was subsequently submitted to the

Department of Energy in September 2013 and is in the process of being reviewed and audited before a recommendation can be lodged with the Minister of Planning and Public Investment.

## UNITED STATES OF AMERICA

During the quarter, Carbon Energy elected not to enter into any further contractual commitments in relation to Wyoming (USA) and North Dakota/Montana (USA) thereby relinquishing its rights to explore or lease those tenements. The total remaining book value of the leases was written off as at 30 June 2013.

## COMMERCIALISE SURAT BASIN COAL RESOURCE

### MARKETING AGENT APPOINTED TO MONETISE SURAT BASIN COAL ASSETS

On 6 August 2013 the Company appointed PCF Capital Group as marketing agents to secure a strategic partner to acquire or invest in the Company's 2 billion tonne<sup>1</sup> of thermal coal assets.

### TENEMENT STATUS AT 30 SEPTEMBER 2013

Tenement	Status	As at 30 September 2013	Area km <sup>2</sup>
MLA 50253	Application	1,343 ha	13
MDL 374	Renewal Pending	2,868 ha	29

Tenement	Status	As at 30 September 2013 sub-blocks	Area km <sup>2</sup>
EPC 867	Granted	195 <sup>1,2</sup>	595.7
EPC 868	Granted	177 <sup>2</sup>	538.0
EPC 869	Granted	64 <sup>1</sup>	195.8
EPC 1132	Granted	23 <sup>1</sup>	70.4
<b>Total Eastern Surat Basin EPC's</b>		<b>459</b>	<b>1,399.9</b>

<sup>1</sup> Relinquishment of 3 subblocks from EPC867 and 1 subblock from EPC869 undertaken in lieu of mandatory relinquishment of 4 subblocks from EPC1132. Relinquishments filed with QLD Department of Natural Resources & Mines on 21 June 2013. To date, relinquishments have not been recorded by the Department.

<sup>2</sup> Relinquishment of 25 subblocks from EPC867 and 6 subblocks from EPC868 undertaken in lieu of mandatory relinquishment of 31 subblocks from EPC869. Relinquishments filed with QLD Department of Natural Resources & Mines on 13 September 2013. To date, relinquishments have not been recorded by the Department.

<sup>1</sup> See CNX ASX/Media Announcement 2 April 2013. CNX is not aware of any new information that would materially affect the Resources stated.

## UCG SYNGAS AT BLOODWOOD CREEK

### UCG COMMERCIALISATION IN QUEENSLAND

On 8 July 2013, the Department of Natural Resources and Mines (DNRM) released the Independent Scientific Panel (ISP) Report which outlines a pathway for the commercialisation of the UCG industry in Queensland. The commercialisation of UCG is important to the State of Queensland as it will ensure supply of domestic gas to address energy security concerns as the demand for energy continues to rise and large gas export projects come online.

The ISP Report confirmed Queensland is a world leader in the development of UCG technology and states there is no reason, in principle, that a UCG project cannot be safely developed and operated to produce more gas for Queensland. Carbon Energy's parallel CRIP UCG technology was recognised as current, state of the art technology significantly advanced from alternative UCG technologies. The Report also states that commercial UCG facilities can commence once a decommissioning plan is agreed.

Carbon Energy ceased gasification at the Bloodwood Creek trial site in October 2012. The Company has engaged with the Department of Environment and Heritage Protection (DEHP) on the Department's draft framework for decommissioning. Work has also progressed on documenting the decommissioning plan, development of proposed rehabilitation completion criteria, and planning for access to the Panel 2 cavity to obtain water, core and other samples required.

### SYNGAS RESERVE STATEMENT

The Company has engaged MHA Petroleum Consultants of Denver, Colorado (USA) to review and update the current syngas reserve statement.

## CORPORATE

### CASH MANAGEMENT

During and subsequent to the September 2013 quarter, Carbon Energy has raised approximately \$10 million through:

- The placement securities under the Rights Issue amounting to \$2.64 million;
- Private placement to Holder East Capital Ltd (HEC) amounting to \$1 million;
- Placement of a substantial portion of the Rights Issue Shortfall to Kam Lung amounting to \$3.4 million; and
- The receipt of the FY13 ATO R&D cash incentive rebate amounting to \$3.78 million.

The Company continues to focus on cost reduction measures to preserve capital and secure the long term success of the Company while still progressing the Company's overall strategic objectives.

### RIGHTS ISSUE

Carbon Energy has successfully raised a total of approximately \$6 million through a non-renounceable rights issue and placement of a significant portion of the shortfall.

The non-renounceable pro rata rights issue to eligible shareholders was announced on 25 July

2013. Eligible shareholders were entitled to 1 new share for every 2 shares held at an issue price of \$0.02 per new share which if fully subscribed would have raised up to approximately \$7,868,897 (before offer costs), with 1 new option for every 1 new share allotted. Each new option is exercisable at \$0.06 per share and expires on 31 July 2016.

## HEC PRIVATE PLACEMENT

Carbon Energy executed a share subscription agreement with Holder East Capital Ltd (HEC) on 25 July 2013, pursuant to which HEC would subscribe for \$1 million worth of shares in the Company on terms equivalent to the terms of the rights issue. The private placement was dependent upon the Company raising at least \$2 million from the rights issue (including the placement of any shortfall) by 31 August 2013 and the participation of the Directors and Senior Management in the offer for a specified minimum amount.

The Private Placement conditions were duly met and Carbon Energy confirmed on 4 September 2013 that the allotment and issue of 50,000,000 Shares and 50,000,000 listed Options (exercisable at \$0.06 each and expiring on 31 July 2016) to HEC occurred on 27 August 2013.

HEC agreed that the 50,000,000 listed options (exercisable at \$0.06 each and expiring on 31 July 2016) issued to HEC (and any Shares issued on exercise of those options) will be subject to voluntary escrow from the date of issue of the options to the earlier of:

- a) 10 business days after the Company lodges a prospectus with ASIC for the offer of securities in the same class as the listed options; and
- b) 27 November 2013 (being three months after the date of allotment and issue of the listed options).

HEC has a significant shareholding in the Haoqin joint venture responsible for delivering the Inner Mongolia Project. This investment demonstrates the commitment of HEC to making the Inner Mongolia Project a success and to securing further licensing opportunities for Carbon Energy in China as agent for the technology in China.

## KAM LUNG PRIVATE PLACEMENT

Subsequent to the end of the quarter on 11 October 2013, Carbon Energy secured another new cornerstone investor, Kam Lung Investment Development Company (Kam Lung) who agreed to invest \$3.4 million in Carbon Energy.

Kam Lung agreed to subscribe for 171,818,615 shares in Carbon Energy representing 14.93% of the expanded capital, at a share price of \$0.02 per share and with an attaching option for each share, exercisable at \$0.06 and expiring 31 July 2016 ("Placement"). The total value of the placement was \$3.4 million and was conducted through the placement of a significant portion of the rights issue shortfall.

Shares to Kam Lung were allotted on receipt of the cleared funds. The options will only be issued on receipt of Foreign Investment Review Board (FIRB) approval. If the approval from FIRB is not obtained before the close of the Rights Issue Shortfall period (21 November 2013 or a later date approved by the ASX) the Company would need to obtain Shareholder approval at an Extraordinary General Meeting to issue the options.

Kam Lung is a Hong Kong based private investment company and is 100% owned by Mr Zhuang. Mr Zhuang's business interests are primarily real estate and technology investment.

Carbon Energy and Kam Lung have agreed that the 171,818,615 shares be subject to a 3 month voluntary escrow period. The 171,818,615 listed options (and any Shares issued on exercise of those options) will be subject to voluntary escrow from the date of issue of the options to the earlier



of:

- a) 10 business days after the Company lodges a prospectus with ASIC for the offer of securities in the same class as the listed options, after the date of issue of the options; or
- b) if issued on or before 26 November 2013, 3 months after issue of the shares to Kam Lung; or
- c) if issued after 26 November 2013, 2 months after the issue of the options, unless a cleansing notice under s708A of the Corporations Act is issued for the options in which case the escrow will end on the following business day.

## RESEARCH & DEVELOPMENT TAX INCENTIVE

After the end of the quarter on 4 October 2013, Carbon Energy received \$3.78 million as a research and development (R&D) tax incentive cash rebate for eligible FY13 R&D expenditure in relation to the development of the Company's keyseam UCG technology at Bloodwood Creek, near Dalby in South-East Queensland.

Carbon Energy is continuing R&D activities at Bloodwood Creek during FY14 by focusing on collecting a variety of samples and measurements to enable the finalisation of a decommissioning plan in conjunction with the Queensland Government as a prerequisite for commercialisation.

## CREDIT SUISSE LOAN FACILITY

Subsequent to the finalisation of the Rights Issue, Carbon Energy repaid in full its remaining debt facility with Credit Suisse amounting to \$3 million.

## SALE OF ENERGIA MINERALS LIMITED SHARES

On 23 July 2013, Carbon Energy accepted an offer for the purchase of its 29,000,005 shares in Energia Minerals Limited. The Company realised total cash proceeds of \$449,999 before costs.

## LEGAL MATTERS

### DEHP Update

As announced on 22 July 2013, Carbon Energy reached a settlement with the Department of Environment and Heritage Protection (DEHP) over nine summary charges, of which three charges were withdrawn, associated with the transportation and disposal of waste water in June 2011. DEHP accepted the breaches were unintentional and there was no environmental harm and occurred as a result of reliance on coding information provided to the Company from a waste disposal transport company. The fines and costs totalling \$114,000 were accepted by the Company. No conviction was recorded.

### Carbon Energy Limited and Carbon Energy (Operations) Pty Ltd v Alexware Consulting Pty Ltd trading as Pangea Partners International and Laura Eugenie Jael Fett and John Martin Wedgwood Update

On 24 July the Supreme Court enforced strict orders for the conduct of the litigation, including deadlines for the completion of various milestones by both parties. This resulted in the majority of trial preparation issues scheduled to be completed by December 2013. Trial date has been set for 2 June 2014.

### Summa Share Sale Agreement Update

As announced on 30 May 2013, Summa issued a dispute notice pursuant to the Share Sale Agreement and senior representatives of each party have been holding discussions on a without

prejudice basis as required by the Agreement. The dispute is yet to be resolved.

As key development milestones under the Agreement were not met, Carbon Energy maintains that it is not obliged to issue further tranches of shares to Summa nor is it required to reserve those shares.

## APPOINTMENTS

### Managing Director

Mr Morné Engelbrecht, who was appointed to the position of Chief Executive Officer on 18 June 2013, was appointed as Managing Director on 24 July 2013.

### Company Secretary

Mrs Tracy Bragg was appointed to the position of General Counsel & Company Secretary on 15 October 2013. Mrs Bragg commenced with the Company in January 2013 and replaces Mr Engelbrecht who held the position of Company Secretary prior to Mrs Bragg's appointment.

For and behalf of the Board

Morné Engelbrecht

Chief Executive Officer & Managing Director

31 October 2013

## ISSUED CAPITAL

As at 30 September 2013

### Ordinary Shares

975,168,303 shares

### Options - Listed

181,999,245 Listed options exercisable at \$0.06 and expiring 31 July 2016

### Options – Unlisted:

61,728,395 Unlisted Credit Suisse options

44,645,845 Unlisted Pacific Road Capital Convertible Note options

27,500,000 Unlisted ex CNX management and employee options

7,459,000 Unlisted current CNX management and employee options

## SHAREHOLDERS

As at 30 September 2013

### Ordinary Shares:

5,488 Shareholders

Top 20 Shareholders hold 49.08% of listed shares

Major Shareholders (more than 5% holding):

- Pacific Road 8.62%
- Incitec Pivot Ltd 7.75%
- Holder East Capital Limited 5.13%

### Options – Listed (exercisable at \$0.06 expiring 31 July 2016):

1,291 Listed Option Holders

Top 20 Listed Option Holders hold 53.43% of listed options

Top 5 Listed Option Holders:

- Holder East Capital 27.47%
- Invia Custodian Pty Ltd 2.17%
- Mr Ross Francis Stanley 2.06%
- Mr CW & Mrs WJ Mallett 1.74%
- JP Morgan Nominees Australia Ltd 1.65%

## BOARD OF DIRECTORS & MANAGEMENT

### Board of Directors

Dr Chris Rawlings	– Non-Executive Chairman
Mr Morné Engelbrecht	– Chief Executive Officer & Managing Director
Mr Max Cozijn	– Non-Executive Director
Dr Helen Garnett	– Non-Executive Director
Mr Peter Hogan	– Non-Executive Director
Mr Louis Rozman	– Non-Executive Director

### Management

Dr Cliff Mallett	– Technical Director
Mr Justin Haines	– General Manager Technical Services
Mr Terry Moore	– General Manager Operations
Mrs Tracy Bragg	– Legal Counsel & Company Secretary

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 ENERGY LIMITED

ABN

56 057 552 137

Quarter ended ("current quarter")

30 September 2013

CONSOLIDATED STATEMENT OF CASH FLOWS

<b>Cash flows related to operating activities</b>	<b>Current Quarter \$A'000</b>	<b>Year to date \$A'000</b>
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) Exploration & Evaluation	3	3
(b) BWC Site Operating & Maintenance Costs	(617)	(617)
(c) Technical Services	(437)	(437)
(d) Corporate & Administration	(1,317)	(1,317)
(e) Commercial & Other Business Development	(154)	(154)
(f) Other Projects	(7)	(7)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	13
1.5 Interest and other costs of finance paid	(64)	(64)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating cash outflows</b>	<b>(2,580)</b>	<b>(2,580)</b>

Appendix 5B  
Mining exploration entity quarterly report

<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(1)	(1)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	448	448
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	<b>Net investing cash outflows</b>	<b>447</b>	<b>447</b>
1.13	<b>Total operating and investing cash outflows (carried forward)</b>	<b>(2,133)</b>	<b>(2,133)</b>
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares and options	3,640	3,640
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from Credit Suisse Term Facility	-	-
1.17	Repayment of borrowings	(1,200)	(1,200)
1.18	Term facility fees paid	-	-
1.19	Other (provide details if material)	(159)	(159)
	Corporate advisory & Capital raising costs		
	<b>Net financing cash inflows</b>	<b>2,281</b>	<b>2,281</b>
	<b>Net increase in cash held</b>	<b>148</b>	<b>148</b>
1.20	Cash at beginning of quarter/financial year	1,772	1,772
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>1,920</b>	<b>1,920</b>

+ See chapter 19 for defined terms.

## PAYMENTS TO DIRECTORS OF THE ENTITY AND ASSOCIATES OF THE DIRECTORS

### PAYMENTS TO RELATED ENTITIES OF THE ENTITY AND ASSOCIATES OF THE RELATED ENTITIES

	<b>Current quarter \$A'000</b>
1.23 Aggregate amount of payments to the parties included in item 1.2	29
1.24 Aggregate amount of loans to the parties included in item 1.10	-
1.25 Explanation necessary for an understanding of the transactions	
Costs included in item 1.23 above include Non-Executive Directors' fees and superannuation.	

### 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

Issue of 6,279,353 Ordinary Shares to cover the interest costs, payable 3 months in arrears, in relation to the Facility utilised under the \$10 million Pacific Road Convertible Note Facility Agreement. These shares are issued in accordance with ASX Listing Rule 7.

- 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

N/A

### FINANCING FACILITIES AVAILABLE

*Add notes as necessary for an understanding of the position.*

	<b>Amount available \$A'000</b>	<b>Amount used \$A'000</b>
3.1 Loan facilities (Pac Road Convertible Note Facility and Credit Suisse Term Facility)	11,797	11,797
3.2 Credit standby arrangements	270	270

## ESTIMATED CASH OUTFLOWS FOR NEXT QUARTER

		<b>\$A'000</b>
4.1	Exploration and evaluation	52
4.2	BWC Site Operating & Maintenance Costs & Technical Services	1,103
4.3	Production	-
4.4	Corporate, Commercial, New Business & Administration*	1,076
<b>Total</b>		<b>2,231</b>
<i>*Includes the proceeds from the sale of the EMX shares</i>		

## 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.

		<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Cash on hand and at bank	1,920	1,772
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		<b>1,920</b>	<b>1,772</b>

## CHANGES IN INTERESTS IN MINING TENEMENTS

	<b>Tenement reference</b>	<b>Nature of interest (note (2))</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>	
6.1	Interests in mining tenements relinquished, reduced or lapsed	EPC867	100% holding of EPC	195 subblocks	195 <sup>1, 2</sup> subblocks
		EPC 868	100% holding of EPC	177 subblocks	177 <sup>2</sup> subblocks
		EPC869	100% holding of EPC	64 subblocks	64 <sup>1</sup> subblocks
		EPC1132	100% holding of EPC	23 subblocks	23 subblocks

+ See chapter 19 for defined terms.



Appendix 5B  
Mining exploration entity quarterly report

6.2	Interests in mining tenements acquired or increased	-	-	-	-
-----	---	---	---	---	---

Notes:

<sup>1</sup> Relinquishment of 3 subblocks from EPC867 and 1 subblock from EPC869 undertaken in lieu of mandatory relinquishment of 4 subblocks from EPC1132. Relinquishments filed with QLD Department of Natural Resources & Mines on 21 June 2013. To date, relinquishments have not been recorded by the Department.

<sup>2</sup> Relinquishment of 25 subblocks from EPC867 and 6 subblocks from EPC868 undertaken in lieu of mandatory relinquishment of 31 subblocks from EPC869. Relinquishments filed with QLD Department of Natural Resources & Mines on 13 September 2013. To date, relinquishments have not been recorded by the Department.

## 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	<b>Preference + securities</b> <i>(description)</i>	-	-	-	-
7.2	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3	<b>+Ordinary securities</b>	975,168,303	975,168,303	Various	Fully paid
7.4	Changes during quarter				
	(a) Increases through issues	188,278,598	188,278,598	\$0.02	Fully paid
	(b) Decreases through returns of capital, buy-backs	-	-	-	-

Appendix 5B  
Mining exploration entity quarterly report

7.5	<b>*Convertible debt securities</b> <i>(description)</i>	<p>The Company completed a \$10 million Convertible Note Facility with Pacific Road Capital ("Pacific Road") on 5 January 2012. A drawdown notice for \$2 million was issued to Pacific Road on 17 January 2012 and a further drawdown notice issued for the remaining \$8 million on 24 February 2012. Pacific Road may convert the Convertible Loan Facility into Shares at any time. The Company is required to pay interest on a quarterly basis at 5% per annum which is payable by way of the issue of Shares at the 5 day VWAP for the Shares traded on the ASX prior to the day a payment is due.</p> <p>The Company also completed a \$10 million bridging loan facility with Credit Suisse on 16 November 2012. This facility is not a convertible security but has options attached and therefore also disclosed within this section. The terms of the loan are a 12 month secured term loan facility at an interest rate of 8% per annum with 61,728,395 million Options issued at a strike price of \$0.081. Repayments of \$7,002,767 were also made on 7 December 2012, and \$1,200,000 on the 29 August 2013 leaving an outstanding balance of \$1,797,232 on the Facility, which was repaid on the 8<sup>th</sup> October 2013, after this Quarterly period.</p>			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7	<b>Options</b>			Exercise price	Expiry date
	Unlisted Options \$0.25	5,000,000	-	\$0.25	10/12/2013
	Unlisted Options \$0.35	1,400,000	-	\$0.35	10/12/2013
	Unlisted Options \$0.70	5,600,000	-	\$0.70	10/12/2013
	Unlisted Options \$0.80	7,250,000	-	\$0.80	10/12/2013
	Unlisted Options \$1.00	10,000,000	-	\$1.00	10/12/2014
	Unlisted Options \$1.20	875,000	-	\$1.20	10/12/2013
	Unlisted Options \$1.60	1,750,000	-	\$1.60	10/12/2013
	Unlisted Options \$0.1875	7,000,000	-	\$0.1875	18/01/2017
	Unlisted Options \$0.1875	28,000,000	-	\$0.1875	25/02/2017
	Unlisted Options \$0.0810	61,728,395	-	\$0.081	15/11/2014
	Unlisted Options \$0.0810	9,645,845	-	\$0.081	15/11/2014
	Unlisted Options \$0.12	3,084,000	-	\$0.120	31/12/2015
	Listed Options \$0.06	181,999,245	181,999,245	\$0.06	31/07/2016
7.8	Issued during quarter	181,999,245	181,999,245	\$0.06	31/07/2016
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	<b>Debentures</b> <i>(totals only)</i>	-	-		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

## 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.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: \_\_\_\_\_ Date: 31 October 2013

Print name: Morné Engelbrecht

Title: Chief Executive Officer