

carbonenergy

CARBON ENERGY LTD QUARTERLY REPORT

DECEMBER 2012

CARBON ENERGY LIMITED • ABN 56 057 552 137

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2012

ASX CODE: CNX OTCQX CODE: CNXAY

ISSUED CAPITAL AS AT 31 DECEMBER 2012

778,451,954 shares issued

9,875,000 Unlisted management and employee options

44,645,845 Unlisted Pacific Road Capital Management Pty Ltd Convertible Note options

61,728,395 Unlisted Credit Suisse AG options

5,696 Shareholders

TOP 20 SHAREHOLDERS

Hold 51.47% of listed shares

BOARD OF DIRECTORS & MANAGEMENT

Dr Chris Rawlings – Non-Executive Chairman

Dr Helen Garnett – Non-Executive Director

Mr Max Cozijn – Non-Executive Director

Mr Peter Hogan – Non-Executive Director

Mr Louis Rozman – Non-Executive Director

Mr Morné Engelbrecht – Acting Chief Executive Officer, Chief Financial Officer & Company Secretary

Dr Cliff Mallett – Technical Director

Mr Justin Haines – General Manager Technical Services

Mr Terry Moore – General Manager Operations

MAJOR SHAREHOLDERS

Incitec Pivot Ltd 9.71%

Pacific Road 9.08%

COMPANY OVERVIEW

ABOUT CARBON ENERGY

Carbon energy specialises in underground coal gasification (UCG). Our proprietary keyseam® technology is the key to unlocking new energy sources, transforming stranded, deep or otherwise inaccessible coal resources into high-value fuels with lower carbon emissions.

Carbon Energy's complete end-to-end UCG services deliver world-class gas projects from initial project assessment through to commercial project development, operations, site decommissioning and rehabilitation.

Carbon Energy achieved Proof of Concept of its technology following 10 years of research with Australia's premier scientific research agency, the Commonwealth Scientific and Industrial Research organisation (CSIRO), 5 years of in-field trials and over \$100 million investment in technology development.

By successfully proving our keyseam technology, we have earned a reputation for delivering consistent, high quality product gas which can be used to produce power, fertilisers and pipeline quality gas. keyseam maximises resource efficiency, extracting up to 20 times more energy from the same resource than coal seam gas (CSG), whilst preserving groundwater quality.

Carbon Energy also has previously announced three wholly-owned assets available for development:

- 1.4 billion tonnes¹ of JORC Inferred Coal Resource in southeast Queensland's Surat Basin which is part of a 4 to 8 billion tonnes of Exploration target for coal;
- 910 million tonnes² of JORC Inferred Coal Resource in Wyoming USA plus an additional 423 million tonnes exploration potential; and
- 743PJ³ of Certified 2P syngas reserves in southeast Queensland's Surat Basin.

The Company is headquartered in Brisbane, Australia, listed on the Australian securities Exchange (ASX) as CNX and is quoted on the OTCQX International Exchange as CNXAY in the united states. Carbon Energy is developing potential UCG projects in Australia, China, Chile, Turkey and the United States.

1. See CNX ASX/Media Announcement 10 September 2012. CNX is not aware of any new information that would materially affect the Resources stated.
 2. See CNX ASX/Media Announcement 23 January 2013. CNX is not aware of any new information that would materially affect the Resources stated.
 3. See CNX ASX/Media Announcement 8 December 2009. CNX is not aware of any new information that would materially affect the Reserves stated.

keyseam® is a registered trade mark of Carbon Energy Ltd

KEY EVENTS OF THE QUARTER

CARBON ENERGY:

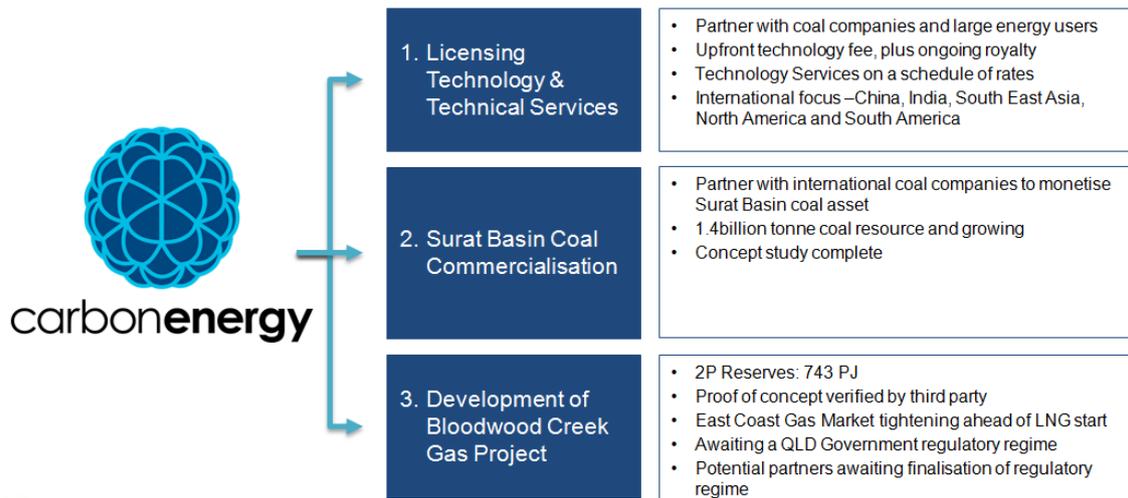
- Executed its first international, commercial scale, technology license Definitive Agreement with Shanxi Coal Transportation & Sales Group (Shanxi Coal).
- Received \$7 million as a research and development (R&D) tax incentive cash rebate for eligible 2011/2012 R&D expenditure.
- Announced that Credit Suisse provided a \$10 million bridging loan facility to assist in funding the Company's short term working capital requirements. Carbon Energy repaid \$7 million on receipt of the R&D tax incentive.
- Identified at least three longwall mining areas each with the potential of mining 5 million product tonnes per annum of export quality thermal coal following the completion of its conceptual mining study across its coal tenements in the Surat Basin, Queensland.
- Appointed Morné Engelbrecht as Acting Chief Executive Officer of the Company whilst it continues its search for a permanent candidate for the position.

EVENTS SUBSEQUENT TO QUARTER END

- The Company announced on 23 January 2013 a maiden JORC Inferred Resource of 910 million tonnes (Mt) of coal at its tenements in Bridger, Wyoming.
- Carbon Energy also signed a Technology Services Agreement whereby the Company will earn its first revenue from providing services relating to its keyseam technology amounting to approximately \$100k.

GROWTH STRATEGIES

In line with its strategic objectives the Company is actively pursuing several business development activities that remain commercial-in-confidence. The opportunities range from initial leads through to agreeing terms and are located both domestically and internationally.



LICENSED TECHNOLOGY & TECHNICAL SERVICES

CHINA

Carbon Energy on 18 October 2012 announced it had signed its first international technology license agreement with Chinese coal giant Shanxi Coal Transportation and Sales Group (Shanxi Coal), to be its exclusive underground coal gasification (UCG) technology partner for the Shanxi Province.

The Definitive Agreement finalised is a significant milestone for Carbon Energy and marks the first licensing of its technology as a non-equity, contributing partner.

The Agreement provides for:

1. A Technology Fee of US\$10 million (US\$7.5 million payable once the Demonstration Project is approved by the Shanxi Governor and the balance upon achievement of certain project milestones);
2. The payment of a commercial schedule of rates for the technical and engineering services to be provided by Carbon Energy, and
3. An ongoing royalty stream upon the sale of syngas for commercial purposes.

Subsequent to a change in the head of government in China in November 2012, Shanxi Province also formally appointed a New Governor, Mr. Xiaopeng Li, on 29 January 2012.

Once this transition within the provincial Government is completed, Shanxi Coal will seek the approval of the Demonstration Project by the new Governor, so that the approval process can be completed for the payment of the Technology Fee to Carbon Energy. Both parties remain committed to the project and are aiming to commence work as soon as practical thereafter.

CHILE

Further to the precious advice received from Antofagasta Minerals S.A (AMSA), the construction of the first UCG panel at Mulpun has been deferred by AMSA, as operator of the project, until further notice.

Commercial discussions are continuing with AMSA to align the current joint venture agreement with our new strategic direction as a technology provider.

PROJECT	JORC RESOURCE ¹ (Mt)	RECOVERABLE GAS ² (PJ)
Mulpun, Chile ³	103	1,100

Notes:

1. JORC compliant – Competent Person: Dr C. Mallett
2. Carbon Energy calculation based on estimated energy content of the coal and 50% recovery (that takes into account pillars, losses and a gasification efficiency of 80%)
3. Carbon Energy has the right to 30% contributing interest in Chile deposit upon completion of agreed milestones

UNITED STATES OF AMERICA

Subsequent to Quarter end Carbon Energy announced a maiden coal JORC Inferred Coal Resource of 910Mt at Bridger site in Wyoming where the Company has an Exploration Right with Anadarko Land Corporation.

Coal quality at the Bridger leases is expected to be consistent with the coal quality of the Fort Union Formation coal seams at the nearby Bridger Coal Mine. The coal has been reported as 9.7% Ash, 20.5% Moisture and Gross Calorific Value of 5,200 kCal/Kg.

The Company is not seeking to further commercialise the resource within the short to medium term due to unfavourable project economics resulting from the current gas market in the United States.

In accordance with JORC guidelines, the reported Inferred Coal Resources at the Company's Bridger Site, Wyoming are¹:

AREA	FORMATION	JORC INFERRED RESOURCE (Mt)
Bridger Site Wyoming, USA	O	229
	BU	229
	GU	346
	L	106
	Total	910
AREA	FORMATION	EXPLORATION TARGET ²
Bridger Site Wyoming, USA	O	96
	BU	134
	GU	158
	L	35
	Total	423

The information in this statement that relates to in situ coal resources potential is based on information compiled by GeoConsult Pty Ltd and Adrian Buck and reviewed by Warwick Smyth, who is a member of the Australasian Institute of Mining and Metallurgy (CP) Geology; and the Australian Institute of Geoscientists.

1. See CNX ASX/Media Announcement 23 January 2013. CNX is not aware of any new information that would materially affect the Resources stated.
2. Exploration Targets met all requirements for an Inferred Resource, however; includes blocks not held by Carbon Energy at the time of reporting. To include a block within the Exploration Target it had to be fully enclosed on all sides by blocks held by Carbon Energy. Targets are conceptual in nature.

TURKEY

Carbon Energy received an independent geological report on the coal resource near Amasra, Turkey. The report shows that these coal resources do not meet fundamental UCG requirements and do not represent a large enough coal resource to economically extract syngas.

SURAT BASIN COAL ASSETS

15% INCREASE IN JORC INFERRED COAL RESOURCE TO 1.36 BILLION TONNE

On 10 September 2012, Carbon Energy announced a 15% increase in its JORC Inferred Coal Resource to 1.36 billion tonnes in its wholly-owned Surat Basin tenements.

It is based on data from an additional 91 bore holes that recently became available on public file. Data from a further 81 bore holes has recently become available and is currently being assessed. Additional data for a further 20 boreholes is due to be released into the public domain within the next six months. This information will allow the Company to further assess its coal resource. The newly defined resource relates to tonnage increases at EPC 867 (excluding MDL 374), EPC 869 and EPC 1132, in the Macalister Seam only.

There is also significant potential for further addition of resources in other Walloon Coal Measure seams within these leases, which will be assessed during the current work program.

Coal quality within Carbon Energy's Resources is anticipated to be consistent with the published coal qualities of the Macalister Seam at the Wilkie Creek and Kogan operating coal mines. These mines produce an export thermal coal product of around 11% Ash, 9% moisture and Gross Calorific Value of 6,200 kCal/kg.

In accordance with JORC guidelines, the reported Inferred Coal Resources in the Company's Surat Basin tenures are¹:

TENURE	FORMATION	INFERRED RESOURCE (Mt)
EPC867²	Macalister Seam	986.2
EPC869	Macalister Seam	228.9
EPC1132	Macalister Seam	151.5
	Total:	1,366.6
MDL374³	Macalister Seam	294.9

Table Footnotes:

The estimates of the Coal Resources presented in this Report are considered to be a true reflection of the Coal Resources as at 10 September 2012 and have been carried out in accordance with the principles and guidelines of the Australian Code for Reporting of Coal Resources and Coal Reserves published in September 2004 (JORC Code). The information in this release is based on information compiled by Mr Mark Biggs who is an employee of Moultrie Database & Geology and is a member of the Australian Institute of Mining and Metallurgy. Mr Biggs has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Biggs consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

1. See CNX ASX/Media Announcement 10 September 2012. CNX is not aware of any new information that would materially affect the Resources stated.
2. EPC867 excludes resources contained within MDL374
3. MDL374 resource also comprise the Companies 743PJ of certified 2P Syngas Reserve

Notes on Resources:

- Coal seams not intruded or not outside the tenure boundaries;
- Coal thicknesses <0.3m excluded;
- The depth range of calculation was from the base of weathering to 500m below natural topography;
- Coal seams <50% adb from coal quality or estimated from downhole density logs (in g/cc) excluded from the calculations;
- A discount factor varying from 13-15% has been subtracted from the initial calculation for unexpected geological losses. This accounts for unexpected conditions such as seam thinning, splitting, or seams missing in barren zones around faults.
- The mine planning package used was Minex and seam structure and thickness contours were generated using standard modelling algorithms and methodologies. Inferred masks were generated with 3,200m between Points of Observation; and
- Points of observation were defined as those boreholes that had known surveyed positions, detailed lithological logs and coverage of the target coal seams with a suite of downhole geophysical logs that must include density in units of Kg/m³.

SIGNIFICANT LONGWALL MINING OPPORTUNITIES IDENTIFIED

At least three longwall mining areas, each with the potential of mining 5 million product tonnes per annum of thermal coal, were identified following the completion of Carbon Energy's conceptual mining study across its coal tenements in the Surat Basin, South East Queensland. The results of the study confirm the Company holds significant coal assets with the potential for development into substantial mining operations.

Additionally the study estimates total production cost at A\$81 per tonne (+/-50%) Free On Board (FOB) at Gladstone. The independent conceptual mining study was commissioned by the Company as part of its strategic review to identify the best approach to maximise the value of its coal deposits and to determine which packages will be suitable for open cut or underground mining.

The study identified three mining areas with a target working section of 4.5 metres. Production was staged to produce an average of 12.5 million tonnes p.a. Run of Mine (ROM), for over 35 years as shown below:

MINE AREA	COAL SEAM	1 st PRODUCTION	ROM PRODUCTION	LIFE OF MINE
LW1	Macalister	Year 1	6.5 Mtpa	17 years
LW2	Macalister	Year 4	6.5 Mtpa	15 years
LW3	Wambo	Year 15	6.5 Mtpa	26 years

Target production rates reflect those currently being achieved in longwall operations in Queensland and New South Wales. Additional coal is available outside the working seam section at all sites.

Optimisation of the working section and/or the use of non-conventional extraction techniques (e.g. Longwall Top Caving) which could extract greater than 4.5m of the seam will improve resource recovery and reduce unit costs.

These optimisations and opportunities will be explored in subsequent studies.

The study uses a Coal Handling and Preparation Plant (CHPP) yield of 78% to achieve an export thermal coal product. This yield is based on typical results for producing Surat basin mines when mining the whole Macalister seam thickness. The ability to target an optimal 4.5m working section is likely to enhance the yield achieved from these projects and will be an area for future optimisation studies.

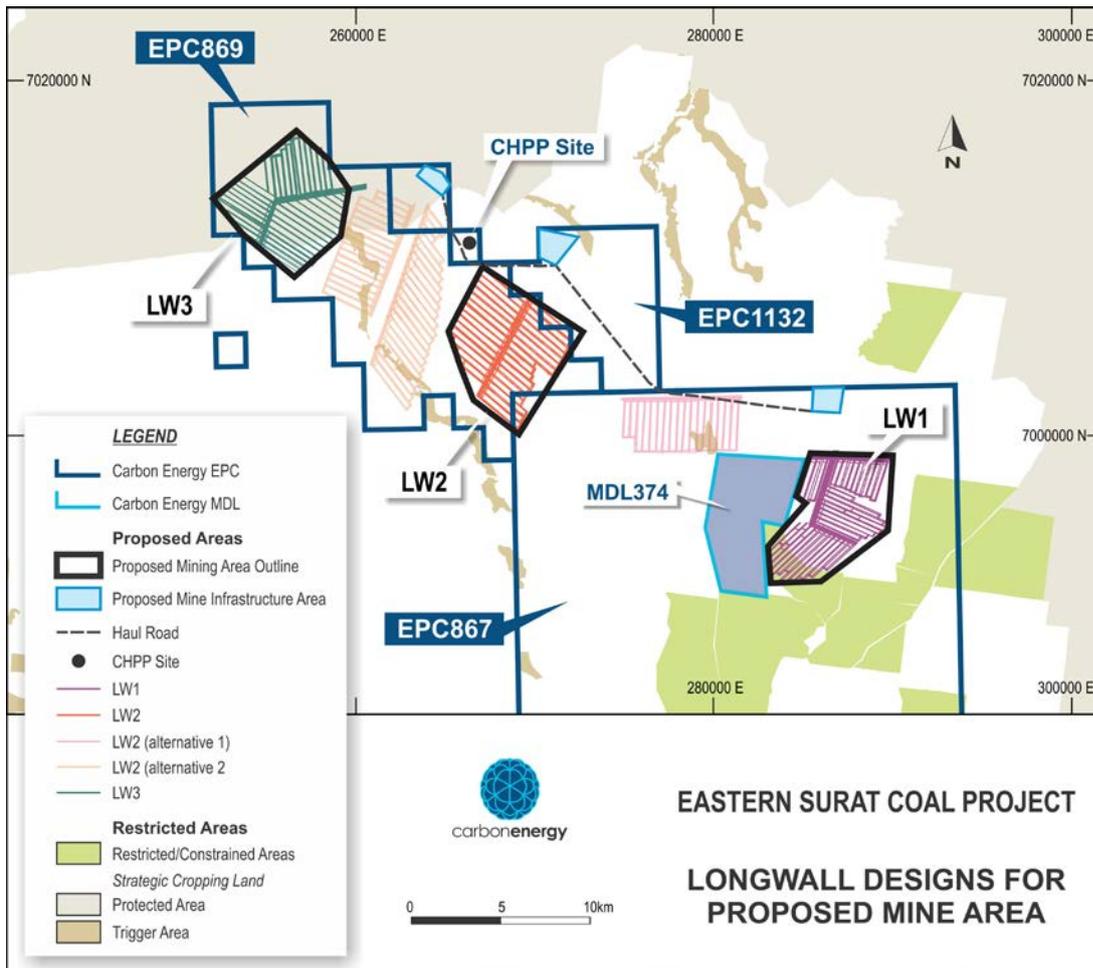
The report highlights favourable mine locations with two of the three sites unaffected by Strategic Cropping Land (SCL). One of the project areas contains a partial overlap of SCL, and will therefore require further assessment.

Infrastructure requirements for development of coal projects on the tenements were assessed as part of the scoping study. Importantly the Company's tenements are located close to QR National's existing West Moreton Coal System.

While there are plans for the proposed Surat Basin Rail project to link the West Moreton Coal System to the major ports facilities at Gladstone, further assessment and negotiation for access to rail infrastructure and port capacity is required.

The report also identifies an additional two longwall mining areas which are not sufficiently defined for scoping at this stage. As further data becomes available the Company will progress studies into the additional sites identified.

The Company aims to upgrade its substantial coal resources through a modest program of exploration drilling, incorporating coal quality and washability testing.



COAL RESOURCE DEVELOPMENT NEXT STEPS

The next steps in the coal resource development are:

- Continue to upgrade resource as more relevant data become available in the public domain; and
- A targeted exploration program will be planned following completion of the conceptual study, and is anticipated to be completed by mid 2013.

COAL COMMERCIALISATION STRATEGY

Since announcing the strategic direction to monetise its coal assets, Carbon Energy has been achieving key milestones in defining its coal resource and the initial development plans to maximise value from these assets. The Company is pursuing the following strategy for the monetisation of its coal assets in the Surat Basin:

- Sale of initial minority interest(s) in coal tenements for cash consideration;
- Purchaser funds all ongoing exploration and mining studies to meet defined resource and reserve targets;

- Additional milestone payments made to Carbon Energy upon achievement of targets; and
- The Company retains a stake and is free-carried during exploration, feasibility, construction and production phases.

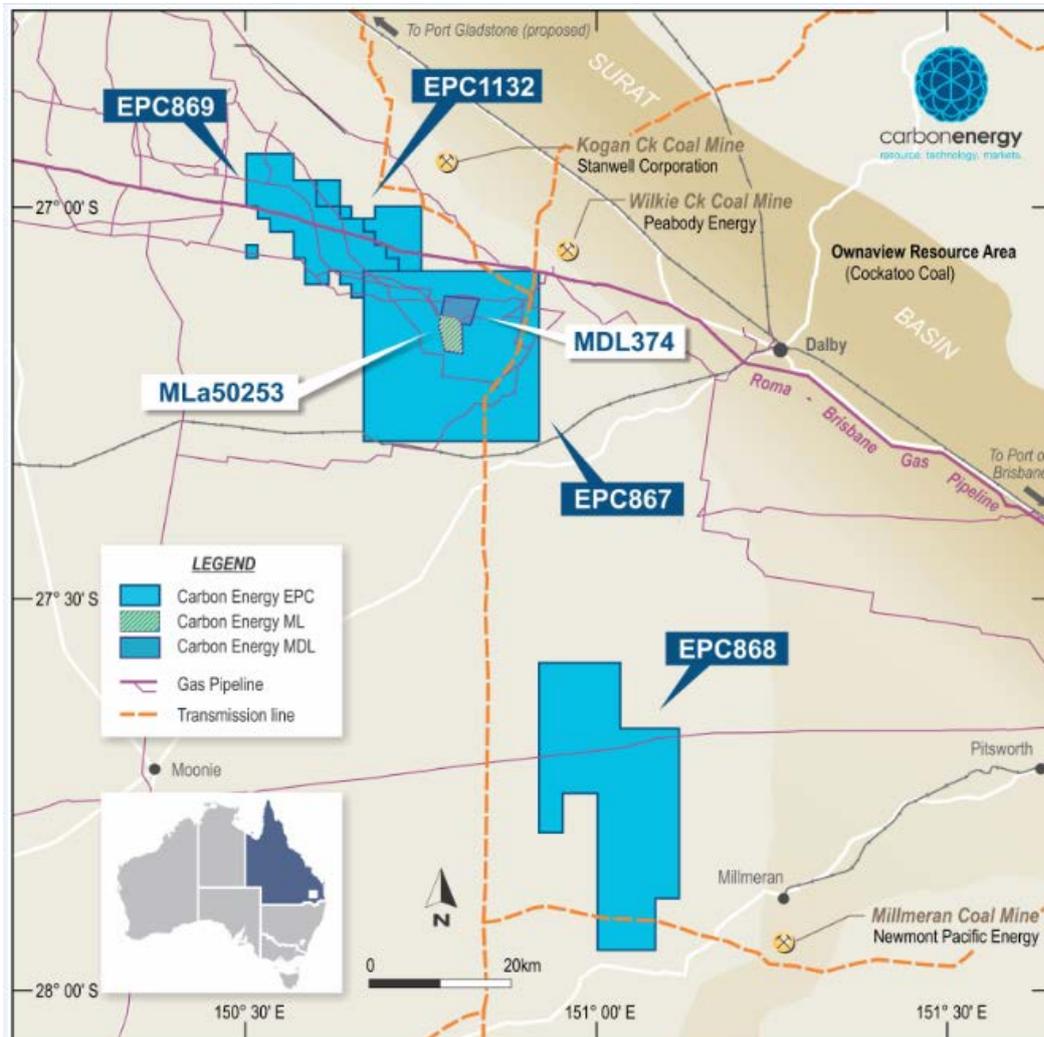
Carbon Energy plans on utilising the funds generated from monetising its coal assets. to further develop its core business of providing underground coal gasification technology and services.

The Company is engaged with multiple parties for the monetisation of the coal assets.

Seeking Commercial Partners for potential sale or partnership opportunities



EXPLORATION TARGET LOCATION MAP



TENEMENT STATUS AT END DECEMBER 2012

TENEMENT ¹	STATUS	AS AT DECEMBER 2012	AREA Km ²
MLA 50253	Application	1,343 ha	13
MDL 374	Granted	2,868 ha	29

TENEMENT ¹	STATUS	AS AT DECEMBER 2012 SUB-BLOCKS	AREA Km ²
EPC 867	Granted	195	595.7
EPC 869	Granted	64	195.8
EPC 868	Granted	177	538.0
EPC 1132	Granted	23	70.4
Total Eastern Surat Basin EPC's		459	1,399.9

TENEMENT ¹	STATUS	AS AT DECEMBER 2012 SUB-BLOCKS	AREA Km ²
EPC 1109	Granted	65	195
Total Beaudesert EPC's		65	195

1. No change in tenement holding since June 2012.

BLOODWOOD CREEK SYNGAS RESERVE

BLOODWOOD CREEK UPDATE

Carbon Energy is currently entering its final phase for the remediation and rehabilitation of its UCG Panels at Bloodwood Creek. These programs are essential in demonstrating the full life-cycle of a UCG panel and is a component in the development of our technological services and intellectual property portfolio.

QUEENSLAND GOVERNMENT POLICY OUTCOME

Carbon Energy was advised by the Queensland Government in early December that a Final Report on UCG had been provided to the Government from the Independent Scientific Panel (ISP). The ISP appointed by the State Government has worked for the past two years on developing a report to assist the Government in forming their recommendations on the future of UCG technology in Queensland.

The Company currently awaits advice from the State Government as to next steps and the outcome of a Policy for UCG in Queensland.

UCG SYNGAS RESERVE

In accordance with the Society of Petroleum Engineers (SPE) guidelines, the reserves in these properties are¹:

AREA	CATEGORY	GROSS GAS VOLUMES(PJ)
Bloodwood Creek MDL 374	1P Reserve (Proven)	11
	2P Reserve (Proven + Probable)	743
	3P Reserve (Proven + Probable + Possible)	1,042

The reserve estimates used in this document were compiled by Mr Timothy Hower of MHA Petroleum consultants, Colorado, USA, a qualified person under ASX Listing Rule 5.11. Mr Hower has consented to the use of the reserve information contained within this document in the form and context in which it appears.

1. See CNX ASX/Media Announcement 8 December 2009. CNX is not aware of any new information that would materially affect the Reserves stated.

CORPORATE

AGREED OUTCOME REACHED OVER DEHP ALLEGATIONS

On 5 December 2012, Carbon Energy advised that an agreed outcome had been reached with the Department of Environment and Heritage Protection (DEHP), formerly Department of Environment and Resource Management (DERM), over three summary charges brought in the Brisbane Magistrates Court associated with the alleged release of process water in August 2009 and no conviction was recorded. A fourth charge was dismissed.

Carbon Energy had pleaded guilty to three charges despite the fact that there was no environmental harm:

- The first related to a release of process water to Bloodwood Creek, which was contained in a pond section of the creek, in contravention of an environmental authority. There was no environmental harm as the creek was not flowing at the time. No process water reached past the isolated ponded areas.
- The second related to the irrigation of process water within the flare compound in contravention of an environmental authority, where it was accepted that a junior employee acted inappropriately and without the knowledge or authority of the Company or its directors or executives.
- The third related to the failure to give written notification to DEHP of the event. It was accepted by the Court that the Company relied upon advice from the then General Manager Operations that DEHP had been notified, only to later discover this was incorrect.

The Company has been ordered to pay a total fine of \$60,000 as well as investigation costs of \$12,000 and legal costs of \$28,000. No conviction was recorded.

The then Managing Director, Andrew Dash, also pleaded guilty to failure to ensure written notification was given to DEHP and was fined \$2,000, with no conviction recorded. It was accepted by the Court that the Managing Director had relied upon advice from the then General Manager Operations that suitable notifications had been administered, which was later found to be incorrect.

As previously advised, the affected area was remediated immediately by the Company in 2009 and a subsequent environmental evaluation conducted by the Company demonstrated that there was no environmental harm.

DEHP accepted the Company's report at that time, including that there was no environmental harm.

CASH MANAGEMENT

The consolidated group had \$7.825 million in cash at bank as at 31 December 2012.

During the December 2012 Quarter the Company secured a short term bridging loan facility with Credit Suisse for \$10 million to assist in funding the Carbon Energy's short term working capital requirements.

The Company also received \$7 million as a research and development (R&D) tax incentive cash rebate on 17 December 2012. The proceeds from the R&D tax incentive were used to repay \$7 million of the Credit Suisse \$10 million Facility, which leaves an outstanding balance of \$3 million on the Facility.

RESEARCH & DEVELOPMENT TAX INCENTIVE

On December 17, the Company advised it had received A\$7 million as a research and development (R&D) tax incentive cash rebate for eligible 2011/2012 R&D expenditure in relation to the development of its keyseam technology at Bloodwood Creek, near Dalby in South-East Queensland.

Changes to the Federal R&D legislation were introduced for 2011/2012 and resulted in a tax cash rebate for eligible R&D being paid to the Company.

The keyseam R&D activities continue and are focussed on ensuring that the Company remains at the forefront of UCG technology.

CREDIT SUISSE \$10 MILLION FACILITY

On 16 November 2012, Carbon Energy announced that Credit Suisse had provided a \$10 million bridging loan facility to assist in funding the Company's short term working capital requirements.

The proceeds from the R&D tax incentive were used to repay \$7 million of the Credit Suisse \$10 million Facility, which leaves an outstanding balance of \$3 million on the Facility. 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.

ACTING CEO APPOINTED

The Board advised on 17 December 2012 that Mr Morné Engelbrecht had been appointed as Acting Chief Executive Officer of the Company whilst it continues its search for a permanent candidate for the position. Morné assumed the role of Acting Chief Executive Officer on 21 December 2012 following the departure of Mr. Andrew Dash.

The Board thanks Andrew for his contribution to the business in a very tough market and for progressing the Company from a start-up company through to Proof of Concept stage for the Company's keyseam UCG technology and initial steps toward commercialisation.



Morné Engelbrecht

Acting Chief Executive Officer

31 January 2013

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 ENERGY LIMITED

ABN

56 057 552 137

Quarter ended ("current quarter")

31 December 2012

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) Exploration & Evaluation	(250)	(250)
(b) BWC Site Operating & Maintenance Costs &	(1,167)	(2,545)
(c) Technical Services	(224)	(1,024)
(d) Corporate & Administration	(2,201)	(3,779)
(e) Commercial & Other Business Development	(47)	(301)
(f) Other Projects	(13)	(13)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	34	73
1.5 Interest and other costs of finance paid	(1)	(3)
1.6 Income taxes paid	-	-
1.7 Receipt of ATO R&D cash incentive	7,002	7,002
Net operating cash in/(out)flows	3,133	(840)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(4)	(42)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	70	565
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material) Project Chile, net payment for Premises Bond and payment for Intangible asset costs	(84)	(112)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Net investing cash (out)/inflows	(18)	411
1.13	Total operating and investing cash flows (carried forward)	3,115	(429)
	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 Credit Suisse Term Facility	10,000	10,000
1.17	Repayment of borrowings	(7,003)	(7,003)
1.18	Facility establishment fees paid	(1,010)	(1,010)
1.19	Trade Creditors/Debtors	(3)	(3)
	Net financing cash inflows	1,984	1,984
	Net increase in cash held	5,099	1,555
1.20	Cash at beginning of quarter/year to date	2,726	6,270
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	7,825	7,825

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'000
1.23	Aggregate amount of payments to the parties included in item 1.2	276
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 cover Directors' expenses for any services undertaken outside the scope of Directors' duties, salaries for the Executive Director, plus 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 2,145,388 Ordinary Shares to cover the interest costs, payable 3 months in arrears, in relation to Tranche A (\$2 million) and Tranche B (\$8 million) 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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities (Pac Road Convertible Note Facility (\$10 million) & Credit Suisse Facility (\$10 million))	20,000	20,000
3.2 Credit standby arrangements	237	237

During the quarter the Company completed a \$10 million bridging loan facility with Credit Suisse on 16 November 2012. A drawdown notice for \$10 million was issued to Credit Suisse on 16 November 2012 and the cash received on the same day. 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 \$0.08. The grant of Options granted under this Facility triggers certain rights under the existing Pacific Road Capital (PRC) Convertible Note, approved by shareholders in November 2011. Firstly, there is an obligation to issue PRC 9,645,845 options under the same terms and conditions as the Credit Suisse options issued under the Credit Suisse Senior Secured Funding Facility. Secondly, PRC has the right to be issued with additional CNX shares under conditions where the Credit Suisse Options have been exercised and the PRC convertible note is converted into shares, on the terms provided in the PRC convertible note. By way of example, in the event that both of these conditions are satisfied, the PRC loan is fully converted into CNX shares and there are no additional issues of equity in the next 8 months (the remaining term of this right), PRC would have the right to be issued approximately an additional 14,784,078 shares.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	123
4.2 BWC Site Rehabilitation and Maintenance costs	1,688
4.3 Production	-
4.4 Corporate, Commercial, New Business & Administration	1,342
Total	3,153

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'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,825	2,726
5.2 Deposits at call	6,000	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	7,825	2,726

+ See chapter 19 for defined terms.

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	-	-	-

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)	Nil	Nil	-
7.2	Changes during quarter	-	-	-
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-
7.3	+Ordinary securities	778,451,954	778,451,954	Various
7.4	Changes during quarter			
	(a) Increases through issues	2,145,388	2,145,388	5.90 c
	(b) Decreases through returns of capital, buy-backs	-	-	-

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.5	+Convertible debt securities <i>(description)</i>	The Company completed a \$10,000,000 Convertible Note Facility with Pacific Road Capital ("Pacific Road") on 5 January 2012. A drawdown notice for \$2,000,000 was issued to Pacific Road on 17 January 2012 and a further drawdown notice issued for the remaining \$8,000,000 on 24 February 2012. Pacific Road may convert the Convertible Loan Facility into Shares at any time at \$0.15 each, being a 25% premium to the Rights Issue Price, and the Company has a similar right in the event that after 18 months its share price exceeds a 60 day volume weighted average of \$0.40. Pacific Road are entitled to a maximum of 66,666,667 Shares in the event of the exercise of conversion rights under the Convertible Loan Facility. 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 on the ASX prior to the day a payment is due.			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7	Options			<i>Exercise price</i>	<i>Expiry date</i>
	<i>Unlisted Options 25c</i>	5,000,000	-	25c	10/12/2013
	<i>Unlisted Options 35c</i>	1,400,000	-	35c	10/12/2013
	<i>Unlisted Options 70c</i>	5,600,000	-	70c	10/12/2013
	<i>Unlisted Options 80c</i>	7,250,000	-	80c	10/12/2013
	<i>Unlisted Options \$1.00</i>	10,000,000	-	\$1.00	10/12/2014
	<i>Unlisted Options \$1.20</i>	875,000	-	\$1.20	10/12/2013
	<i>Unlisted Options \$1.60</i>	1,750,000	-	\$1.60	10/12/2013
	<i>Unlisted Options \$0.1875</i>	7,000,000	-	\$0.1875	18/01/2017
	<i>Unlisted Options \$0.1875</i>	28,000,000	-	\$0.1875	25/02/2017
	<i>Unlisted Options \$0.0810</i>	61,728,395	-	\$0.0810	15/11/2014
	<i>Unlisted Options \$0.0810</i>	9,645,845	-	\$0.0810	15/11/2014
7.8	Issued during quarter	61,728,395 9,645,845	- -	\$0.0810 \$0.0810	15/11/2014 15/11/2014
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>	-	-		

+ 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 January 2013

Print name: Morné Engelbrecht
Title: Acting Chief Executive Officer
Chief Financial Officer & Company Secretary

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