

# CARBON ENERGY LTD

# QUARTERLY REPORT

MARCH  
2012



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## HIGHLIGHTS

- Carbon Energy Limited (Carbon Energy) (ASX:CNX, OTCQX:CNXAY) becomes the first Australian company to export power generated by syngas into a commercial electricity grid from its underground coal gasification (UCG) plant at Bloodwood Creek, near Dalby, Queensland.
- Carbon Energy successfully confirms 'Proof of Concept' of its proprietary keyseam® UCG Technology through the operational lifecycle, from site selection, panel design, panel construction and gasification through to the export of electricity.
- The Company's strategic direction is confirmed as maintaining UCG technology development as the core of the business while reducing costs at Bloodwood Creek and focusing on fast tracking commercial scale production by developing strategic partnerships and re-assessing conventional coal targets to fund future UCG development.
- Costs at the Bloodwood Creek project site will be reduced until a commercial agreement with a partner is reached and regulatory certainty is achieved. The Company will work with the newly-formed Queensland Government to obtain approvals required to develop Bloodwood Creek to a commercial scale project. Carbon Energy is currently seeking partners to help realise value from its existing gas assets at its South East Queensland project site.
- Carbon Energy is actively studying the substantial coal potential of its leases beyond the uses for UCG. The Company currently holds 1,400km<sup>2</sup> of coal tenements potentially suitable for open cut or underground mining in southern Queensland's Eastern Surat Basin. Of this 1,400 km<sup>2</sup>, only 29km<sup>2</sup> is contained within the Company's MDL374.
- As part of Carbon Energy's corporate restructuring, Kim Robinson will be retiring from the Board at the conclusion of the 2012 financial year. The Board will reduce to six members moving forward.

## EVENTS SUBSEQUENT TO QUARTER END

- No events subsequent to quarter end noted.



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## COMPANY OVERVIEW

Carbon Energy is a world leader of advanced coal technology. Our business is transforming stranded coal resources into high-value fuels with lower carbon emissions to meet the increasing global demand for new, low cost, alternative energy sources.

Carbon Energy is headquartered in Brisbane, Australia and listed on the Australian Securities Exchange (ASX) and is quoted on the OTCQX International.

The Company's proprietary technology, keyseam®, is an innovation in underground coal gasification (UCG), incorporating a unique site selection methodology and advanced geological and hydrological modelling. Keyseam® maximises resource efficiency, extracting up to 20 times more energy from the same resource than coal seam gas (CSG), whilst minimising surface disturbance and preserving groundwater quality.

Carbon Energy's technological advantage comes from its association with Australia's premier research agency, CSIRO, which includes world-class geotechnical, hydrological and gasification modelling capabilities.

Carbon Energy is building access to an international portfolio of coal assets suitable for keyseam® and accessible to high-value markets. The Company has resources and rights to coal assets in projects across Australia, Chile and the United States.

## AUSTRALIAN FIRST

On 10 February 2012, Carbon Energy announced it had become the first Australian company to export power generated by syngas into a commercial electricity grid from its underground coal gasification (UCG) plant at Bloodwood Creek, near Dalby, Queensland.

The Company successfully conducted testing for the export of electricity to Ergon Energy Corporation Ltd's local electricity grid, within the current permit limit of 1.5 MW. Carbon Energy pioneered the process of generating electricity using synthetic gas – also known as syngas - produced through its proprietary UCG technology at the Bloodwood Creek site.

It has now become the first Australian company to complete a commercial agreement and deliver energy produced by UCG syngas in Australia.

The achievement has positioned the Company as one of the leading innovators of UCG in the world.



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## PROVEN TECHNOLOGY

Carbon Energy has successfully confirmed 'Proof of Concept' of its proprietary keyseam UCG Technology through the operational lifecycle, from site selection, panel design, panel construction and gasification through to the export of electricity. The Company is now well placed to realise value through commercialising the technology after having invested more than \$100 million and 5 years developing the technology, in addition to 10 years of research by the CSIRO.

In achieving this Proof of Concept, the Company has demonstrated the following key elements:

- Drilling and construction of Carbon Energy's unique panel design;
- Ignition and commissioning of two UCG panels;
- Over 3 years of in-field UCG operation;
- 12 months continuous syngas production from UCG Panel 2;
- Consistent production of high quality syngas;
- Reliable operation of internal-combustion-engine driven electricity generators;
- Reliable export of electricity to the local electricity grid in Queensland;
- Validation of gasification prediction models with operational data;
- Validated that panels adjacent to each other can operate independently;
- Management of ground water during operations; and
- Panel shutdown and progressive rehabilitation is underway on Panel 1.

## STRATEGIC DIRECTION CONFIRMED

Achievement of the proof of concept has led to a strategic review to maximise the Company's technological achievements. The review has defined plans for global expansion as well as assessing the optimisation of assets and financing options needed to fund the Company's growth.

The outcomes of the review have confirmed Carbon Energy's strategic direction, which is to position the Company as the world leading UCG technology partner. The Company will actively pursue commercial scale projects with coal owners and energy end users (including electricity, chemicals and liquids) both in Australia and overseas in addition to our current projects in Chile, North America and Europe.



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In addition, the Company plans to build a strong financial base for the future development of its UCG technology business by maximising the value of its two significant resources in Queensland:

- Syngas: 743 PJ of 2P Reserves of syngas at Bloodwood Creek. The Company will work with the new Queensland Government to obtain the required approvals to develop a commercial scale project on the Bloodwood Creek site. Until such time as commercial agreement is reached with a partner and regulatory certainty is achieved, costs at the project site will be reduced.
- Coal: 1,400km<sup>2</sup> of thermal coal leases surrounding Bloodwood Creek. Carbon Energy will convert its substantial coal tenements into a conventional coal resource through a program of exploration drilling, and a scoping and feasibility study. The Company will evaluate options to gain maximum value from the resource over the next 12 months to fund the development of the Company's world leading UCG technology. The Company has previously reported 668 Mt JORC compliant Indicated and Inferred Resources (218Mt Indicated and 450Mt Inferred at a 2m cut-off) within just 52 km<sup>2</sup>; including the MDL area. Carbon Energy has engaged a third party resource consultant to independently assess the additional coal resources contained in its leases.

Progress updates on the development of the Eastern Surat Basin Coal resources and the search for global partners will be provided in the coming months.

## BLOODWOOD CREEK FUTURE

As an outcome of the strategic review, costs at the Bloodwood Creek project site will be reduced until a commercial agreement with a partner is reached and regulatory certainty is achieved. The Company will work with the newly-formed Queensland Government to obtain approvals required to develop Bloodwood Creek to a commercial scale project. Carbon Energy is currently seeking partners to help realise value from its existing gas assets at its South East Queensland project site.

It is intended that the cost reduction activities at Bloodwood Creek will include:

- Suspension of the 1.5MW power station operation;
- Panel 2 will be shut-in, and maintained in a state from which it can be re-commissioned; and
- Staffing requirements will be tailored accordingly.



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In addition:

- Rehabilitation of Panel 1 will continue, in order to demonstrate the completion of the full life cycle of a UCG panel;
- Environmental monitoring will continue; and
- Above ground facilities will remain in place and continue to be maintained all environmental and regulatory conditions will continue to be met or exceeded.

This decision enables the Company to reduce costs while still achieving technical outcomes and build on its UCG keyseam intellectual property.

## CONVENTIONAL COAL RESOURCE TO FUND FUTURE UCG DEVELOPMENT

Carbon Energy is actively studying the substantial coal potential of its leases beyond the uses for UCG. The Company currently holds 1,400km<sup>2</sup> of coal tenements potentially suitable for open cut or underground mining in southern Queensland's Eastern Surat Basin. Of this 1,400 km<sup>2</sup>, only 29km<sup>2</sup> is contained within the Company's MDL374.

The Company has previously reported 668MT JORC compliant Indicated and Inferred Resources within just 52 km<sup>2</sup> which includes the MDL area. Carbon Energy has engaged a third party resource consultant to independently assess the additional coal resources contained in these leases.

Results of this work are expected by the end of the financial year.

Details of the potential area to review are as follows:

- 1,400 km<sup>2</sup> of EPCs in Queensland's Eastern Surat Basin;
- Close to existing operating mines and proposed mines;
- Close to rail infrastructure; and
- Existing export and domestic coal products from the Eastern Surat Basin.



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## CARBON ENERGY'S CURRENT RESOURCES AND TARGETS

Current Project Resources	JORC Resource <sup>2</sup> (Mt)	Recoverable Gas <sup>3</sup> (PJ)
Queensland, Australia	668	6,680
Mulpun, Chile <sup>4</sup>	103	1,100
<b>Total</b>	<b>771</b>	<b>7,780</b>
Project Resource Target	Commercial Target <sup>1</sup> (Mt)	Recoverable Gas <sup>3</sup> (PJ)
Wyoming, United States	500	5,000 (target)
<b>Total</b>	<b>500</b>	<b>5,000</b>

### Notes

1. Carbon Energy target
2. JORC compliant – Competent Person: Dr C. Mallett
3. 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%)
4. Carbon Energy has the right to 30% contributing interest in Chile deposit upon completion of agreed milestones

## AUSTRALIA

Project	JORC Resource <sup>1</sup> (Mt)	Recoverable Gas <sup>2</sup> (PJ)
Queensland, Australia	668	6,680

### 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%)



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### Phase 1, Power Generation: 5MW Power Station; Phase 2, Power Generation: 30MW Power station & Phase 3 300 MW Power Station, Blue Gum Energy Park

As an outcome of the confirmed strategic direction, future plans for Power Generation at Bloodwood Creek and the surrounds have been suspended until a commercial agreement with a partner is reached for full scale commercial production at the site and regulatory certainty is in Queensland confirmed.

The Company is currently expanding its partner search to evaluate potential partners to realise maximum value from its existing gas assets at Bloodwood Creek. At the same time the Company is also working with the newly formed State Government to obtain approvals required to develop Bloodwood Creek to a commercial scale project.

#### Tenement Status at end March 2012

Tenement <sup>1</sup>	Status	As at March 2012	Area km <sup>2</sup>
MLA 50253	Application	1,343 ha	13
MDL 374	Granted	2,868 ha	29

Tenement <sup>1</sup>	Status	As at March 2012 Sub-blocks	Area km <sup>2</sup>
EPC 867	Granted	191	596
EPC 869	Granted	64	196
EPC 868	Granted	177	538
EPC 1132	Granted	23	70
<b>Total Eastern Surat Basin EPC's</b>		<b>455</b>	<b>1,400</b>
Tenement <sup>1</sup>	Status	As at March 2012 Sub-blocks	Area km <sup>2</sup>
EPC 1109	Granted	65	197
<b>Total Beaudesert EPC's</b>		<b>65</b>	<b>197</b>

#### Notes

1. No change in tenement holding since June 2011.
2. Approximate km<sup>2</sup>



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## CHILE

Project	JORC Resource <sup>1</sup> (Mt)	Recoverable Gas <sup>2</sup> (PJ)
Mulpun, Chile <sup>3</sup>	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

Activities at our project location in Mulpun, Chile continued during the period with the successful completion of the drilling of the extensive (groundwater) monitoring well program. Works in this area continue with the installation of the monitoring equipment and it is anticipated that this will be complete and ready for the project to conduct the project baseline for the groundwater monitoring program during the second quarter of the calendar year.

In addition, the following activities were completed during the period:

- Tender submissions for the detailed Engineering, Procurement and Construction (EPC) phase received and preferred contractor identified.
- Tender submissions for the panel drilling contract, from the market re-test, received and evaluation complete.
- Budget and schedule to a Front End Loading level 3 completed.
- Long lead items, such as Carbon Energy specified underground instrumentation, well heads and related materials, supplied from Australia and received on site.

### Budget and Schedule

With the completion of the Front End Engineering Design (FEED) for the above-ground facilities along with the tendering phase of the key contracts now finalised the project team has delivered a budget and schedule for the UCG Trial to a FEL-3 level for authorisation by Carbon Energy and Antofagasta Minerals.

Antofagasta Minerals has requested Carbon Energy, as the Technical Partner, to provide a Prospective Analysis of the estimated cost and planned schedule duration in relation to its knowledge of UCG and experience gained from successfully completing UCG projects.

It is anticipated that this Prospective Analysis will be concluded during the second quarter of the calendar year and will aim to provide specific recommendations to



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help the project team complete the project successfully along with fulfilling a key requirement for the authorisation of the Project to move to the next phase.

## UNITED STATES OF AMERICA

Project	Commercial Target <sup>1</sup> (Mt)	Recoverable Gas <sup>2</sup> (PJ)
Wyoming, United States	500	5,000

### Notes

1. Carbon Energy target
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%)

Carbon Energy has appointed a third party provide further independent resource certification in North America. Pre-exploration planning continues while work on building a resource and geological model of preferred sites has commenced.

Carbon Energy has also continued negotiations to look at commercial options for gas and enhanced oil recovery within North America.

## EUROPE

### Turkey

Carbon Energy continues work on finalising outcomes of the desktop study with its partner, Hema, and has appointed an independent assessor of the existing resources and agreed to schedule a meeting to consider findings and resolve future developments in the June 2012 Quarter.

## CORPORATE

### Executive Team Changes

As previously announced, as part of the Company's corporate restructuring, Kim Robinson will be retiring from the Carbon Energy Board as at 30th June 2012.

Dr Chris Rawlings, Chairman said: "The Board and I are most grateful to Kim for his efforts as a member of the Carbon Energy Board. I would like to thank Kim for his significant contribution in the development of Carbon Energy and the solid mining perspective he has brought to Carbon Energy in his time here."



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Mr Robinson was a founding member of the Board serving as a Non-Executive member from 1993 until 2012. The Board will reduce to six members moving forward.

### **Issued Capital & Cash Funds**

The total issued capital as at 31 March 2012 Quarter was 772,293,626 fully paid ordinary shares quoted on the Australian Stock Exchange.

A total of 66,875,000 unlisted options with exercise prices between \$0.25 and \$1.60 are on issue (with expiry dates ranging between 10 December 2013 and 25 February 2017) and with the majority subject to meeting annual performance measures. 296,000 employee options were cancelled during the quarter.

A \$10,000,000 Convertible Note Facility with Pacific Road Capital was concluded in January 2012 and the Facility was drawn down in two Tranches of \$2,000,000 and \$8,000,000 on 25 January and 28 February 2012 respectively. 4,166,666 shares were issued as payment for the Placement fee and 35,000,000 options were issued at a strike price of 0.1875 cents on draw down of the Facility with expiry dates of 18 January 2017 (7,000,000 options) and 25 February 2017 (28,000,000 options).

The Consolidated Group retained cash of \$10,625,000 as at 31 March 2012.

### **Appointment of Merriman Capital, Inc as Principal American Liaison**

On 18 January 2012 the Company announced that it had appointed Merriman Capital, Inc as its Principal American Liaison to sponsor its American Depositary Receipt program on OTCQX International and who have further been retained to provide a suite of investor and market making services in the US.

### **Appointment of Link Marketing Services Limited as new Share Registrar**

On 23 February 2012 the Company announced that it had appointed Link Marketing Services Limited (Link) as its new Share Registrar and that it will transfer responsibility for the maintenance of the Company's Share Register to Link, effective start of business Monday, 2 April 2012.



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## Legal Action

On 12 July 2011 DERM advised Carbon Energy of charges laid against the Company and the Managing Director, associated with an alleged release of process water in August 2009. Carbon Energy conducted a thorough investigation of the issue at the time, and the resulting report concluded no ongoing environmental harm. DERM accepted the report in October 2010 and the Government subsequently confirmed the Company's findings.

Subsidiary proceedings in relation to these charges were held at the Dalby Magistrates Court on 29 March 2012, with the matter being adjourned for further mention on 11 June 2012.

Separately, the legal proceedings against Alexware Consulting Pty Ltd trading as Pangea Partners International and Mr John Wedgwood are still in progress.

## Listed Investments

Carbon Energy held 29 million shares in ASX listed uranium company, Energia Minerals Limited (26.5%) as at 31 March 2012.

For and on behalf of the Board



**A.M. Dash**

Managing Director

30 April 2012



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## APPENDIX A – COAL RESOURCE SUMMARY

As at 31 March 2012

March 2012 Quarter Resource Statement

Location	Coal Thickness Cut-Off (m)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	TOTAL (Mt)
Bloodwood Creek, Australia	2 5 <sup>1</sup>	- -	218 158	280 57	498 215
Kogan, Australia	2 5 <sup>1</sup>	- -	- -	170 149	170 149
Mulpun, Chile <sup>2</sup>	2	26.4	36.7	40.1	103.2
	5 <sup>1</sup>	25.3	19	39.3	83.6
Total Resource	2	26.4	254.7	490.1	771.2
	5 <sup>1</sup>	25.3	177	245.3	447.6

Notes:

1. Optimal target for Underground Coal Gasification
2. Carbon Energy has the right to a 30% contributing interest in the Chile deposit upon completion of agreed milestones

### Competent Person Statement – Coal

The information in this release that relates to resources is based on information compiled by Dr C.W. Mallett, Technical Director Carbon Energy Limited who is a member of the Australian Institute of Mining and Metallurgy. Dr Mallett 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". Dr Mallett consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.

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

AREA	CATEGORY	GROSS GAS VOLUMES(PJ)
Bloodwood Creek EPC 867 (including 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.



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Rule 5.3

# 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 March 2012

### Consolidated statement of cash flows

#### Cash flows related to operating activities

	Current quarter \$A'ooo	Year to date (9 months) \$A'ooo
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	-	-
(b) development	(2,338)	(6,875)
(c) production	(474)	(1,665)
(d) administration	(1,316)	(4,483)
(e) commercial & other business development	(182)	(560)
(g) Other projects	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	90	274
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(4,220)</b>	<b>(13,309)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(52)	(291)
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) – Construction of 5MW Plant, UCG Panels, Project Support, Project Chile and Project USA	(1,282)	(3,694)
<b>Net investing cash flows</b>	<b>(1,334)</b>	<b>(3,985)</b>
1.13 <b>Total operating and investing cash flows (carried forward)</b>	<b>(5,553)</b>	<b>(17,294)</b>

+ See chapter 19 for defined terms.

<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	8,265
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	10,000	10,000
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material) – Trade Creditors/Debtors	(20)	(145)
	<b>Net financing cash flows</b>	<b>9,980</b>	<b>18,120</b>
<b>Net increase (decrease) in cash held</b>		<b>4,426</b>	<b>826</b>
1.20	Cash at beginning of quarter/year to date	6,199	9,799
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>10,625</b>	<b>10,625</b>

**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	225
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 Brisbane based 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 4,166,666 Ordinary Shares under the \$10 million Pacific Road Convertible Note Facility Agreement in payment of the \$500,000 Placement Fee relating to the drawdown of Tranche A and Tranche B of the Facility. This is in accordance with shareholder approval obtained at the AGM on 24 November 2011.

- 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.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities (Convertible Note Facility)	10,000	10,000
3.2	Credit standby arrangements	187	187

+ See chapter 19 for defined terms.

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	-
4.2	Development	3,123
4.3	Production	-
4.4	Administration	1,633
<b>Total</b>		<b>4,756</b>

### 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	2,625	2,199
5.2	Deposits at call	8,000	4,000
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		<b>10,625</b>	<b>6,199</b>

### 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 <b>Preference + securities</b> <i>(description)</i>	Nil	Nil	-	-
7.2 <b>Changes during quarter</b>				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>+Ordinary securities</b>	772,293,626	772,293,626	Various	Fully paid

+ See chapter 19 for defined terms.

7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	4,166,666 -	4,166,666 -	\$0.12 -	Fully paid -
7.5	<b>+Convertible debt securities</b> (description)	The Company completed a \$10,000,000 Convertible Note Facility with Pacific Road Capital 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 Capital 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 in arrears 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. This is in accordance with shareholder approval obtained at the AGM on 24 November 2011.			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	66,666,667 -	- -	\$0.15 -	Nil -
7.7	<b>Options</b> <i>Unlisted Options 25c</i> <i>Unlisted Options 35c</i> <i>Unlisted Options 70c</i> <i>Unlisted Options 80c</i> <i>Unlisted Options \$1.00</i> <i>Unlisted Options \$1.20</i> <i>Unlisted Options \$1.60</i>	5,000,000 1,400,000 5,600,000 7,250,000 10,000,000 875,000 1,750,000	- - - - - - -	<i>Exercise price</i> 25c 35c 70c 80c \$1.00 \$1.20 \$1.60	<i>Expiry date</i> 10/12/2013 10/12/2013 10/12/2013 10/12/2013 10/12/2014 10/12/2013 10/12/2013
7.8	Issued during quarter	7,000,000 28,000,000	- -	\$0.1875 \$0.1875	18/01/2017 25/02/2017
7.9	Exercised during quarter	-	-	-	-
7.10	Expired/cancelled during quarter	100,000 196,000	- -	25c 40c	01/04/2012 01/04/2012
7.11	<b>Debentures</b> (totals only)	-	-		
7.12	<b>Unsecured notes</b> (totals only)	-	-		

+ 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: 30 April 2012

Print name: Morne Engelbrecht

Title: ***Chief Financial Officer & Company Secretary***