



carbonenergy

Carbon Energy Limited | ABN 56 057 552 137

Level 9, 301 Coronation Drive,
Milton QLD 4064 Australia
PO Box 2118, Toowong DC
QLD 4066 Australia

phone + 61 (0) 7 3156 7777

fax + 61 (0) 7 3156 7776

www.carbonenergy.com.au

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ABN 56 057 552 137

Carbon Energy (Operations) Pty Ltd

ABN 61 105 176 967

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FOR ASX MARKET RELEASE

JinHong Joint Venture – Key Milestones Achieved

- Kulen coal deposit at Mori (Mulei) County, Changji, Xinjiang, China selected.
 - Geotechnical modelling expected to be completed by end of 2017.
 - Active collaboration towards site characterisation and design progress.

Carbon Energy Limited (ASX: CNX) ('Carbon Energy' or 'Company') is pleased to announce the achievement of a key milestone by the Beijing JinHong New Energy Co. Ltd joint venture between the Carbon Energy group and its partner Beijing JinHong Investment Co. Ltd ('JinHong Joint Venture').

Of the three coal deposits previously assessed as suitable, the Kulen coal deposit located at the Mori (Mulei) County, Changji, Xinjiang, China has been selected for the continued development of a commercial demonstration project using Carbon Energy group's *keyseam*[®] technology for underground coal gasification ('Mori UCG Project').

Geotechnical modelling for the Mori UCG Project is expected to be complete by the end of 2017, which will provide the design criteria for the development of the initial Process Characterisation Panel to verify the predicted syngas quality and develop the configuration of panels to support a commercial UCG project in the coal deposit.

All parties are actively working towards satisfying the regulations and requirements in order to progress site characterisation and underground gasifier design, design and construct the Process Characterisation Panel surface facilities, and the commencement of syngas production in 2018.

Carbon Energy's Technical Director, Dr Cliff Mallett says that all the evidence to date suggests that the Kulen coal deposit at Mori has excellent geological conditions for UCG operations, and that UCG is the only mining method that can satisfy the Chinese government's requirement for 75% recovery of the coal resource in such deep and thick coal seams.

Carbon Energy is excited by the positive developments announced today and the return to active project development following the restructure of company finances.



Kulen coal deposit area, Mori (Mulei) County, Changji, Xinjiang, China

For and on behalf of the Board
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