



**carbonenergy**

resource. technology. markets.

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## ASX/Media Announcement

19 November 2012

## Shanxi Coal Project Update

On 18<sup>th</sup> October 2012 Carbon Energy Limited (ASX:CNX; OTCQX:CNXAY) announced it had executed definitive agreements with Shanxi Coal Transportation and Sales Group (Shanxi Coal), to be its exclusive underground coal gasification (UCG) technology partner for the Shanxi Province in China.

Under the agreement, Carbon Energy will licence its technology to Shanxi Coal for the development of UCG projects in Shanxi Province. The Agreement provides for:

1. A Technology Fee of US\$10 million (US\$7.5 million payable within 30 days of execution and the balance upon achievement of certain project milestones),
2. The payment of a commercial schedule of rates for the technical and engineering services provided by Carbon Energy, and
3. An ongoing royalty stream upon the sale of syngas for commercial purposes.

The Company has received assurances from Shanxi Coal that they are fully committed to proceeding with the project and making the Technology Fee payment.

The initial technology payment has not yet been received. We understand that the delay is due to procedural steps requiring senior government officer approvals. These officers have been unavailable due their attendance at the recent 18<sup>th</sup> National Congress of the Communist Party of China, which brought about a transition to new leadership in China.

Both parties remain committed to the project and commencing work as soon as practicable. Shanxi Coal is finalising the procedural requirements to facilitate payment as soon as possible.

As previously advised, Carbon Energy has drawn down the \$10 million Credit Suisse Senior Secured Funding Facility to support its interim cash flow requirements.

For and on behalf of the Board

Mr. Andrew Dash  
Managing Director

## 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 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 minimising surface disturbance and preserving groundwater quality.

Carbon Energy also has two wholly-owned assets in southeast Queensland's Surat Basin:

- 1.4 billion tonnes of coal JORC Inferred Resource which is part of a 4 to 8 billion tonnes of coal Exploration target; and
- 743PJ of Certified 2P syngas reserves.

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 has UCG projects in Australia, China, Chile, Turkey and the United States.