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Carbon Energy Limited
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ASX Announcement

11 October 2013

Carbon Energy Secures \$3.4 million Cornerstone Investment

- **Carbon Energy secures new Hong Kong based cornerstone investor.**
- **Kam Lung Investment Development Company Limited invests \$3.4 million.**
- **This investment along with the HEC Placement, rights issue proceeds and Research & Development cash incentive rebate total an estimated \$10.8 million in cash injections.**

Carbon Energy (ASX:CNX, OTCQX: CNXAY) is pleased to announce it has secured a Hong Kong based cornerstone investor, Kam Lung Investment Development Company (“Kam Lung”), who has agreed to invest \$3.4 million in Carbon Energy.

Kam Lung has agreed to subscribe for 171,818,615 shares in Carbon Energy representing 14.98% 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 is \$3.4 million and will be conducted through placement of a significant portion of the Rights Issue Shortfall.

Shares to Kam Lung will be allotted on receipt of cleared funds which are required on 11 October 2013. 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) then the Company would need to obtain Shareholder approval at an EGM 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:

- 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
- if issued on or before 26 November 2013, 3 months after issue of the shares to Kam Lung; or
- if issue 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.

With the Placement to Kam Lung, the Private Placement to Holder East Capital (as announced on 26 August 2013), the Rights Issue proceeds and the recent Research & Development cash incentive rebate, Carbon Energy has received cash injections of approximately \$10.8 million. Total funds raised will be applied to business development initiatives, rehabilitation demonstration at the Company's Bloodwood Creek site, marketing the Company's thermal coal assets, general working capital, and Rights Issue and Placement costs.

"We are encouraged by the strong support shown not only by our current Shareholders but new Investors as well. It shows real confidence in our operations in China, our keyseam UCG Technology, our technology licensing strategy, and confidence in the UCG industry in general," said CEO Morné Engelbrecht.

ENDS

For and on behalf of the Board

Morné Engelbrecht
Managing Director & Chief Executive Officer

**For more information please contact Jodie Springer on +61 7 3156 7712
or refer to our website at www.carbonenergy.com.au**

About Carbon Energy

Carbon Energy is an emerging global energy technology provider and services company with expertise in unconventional syngas extraction through utilising its proprietary keyseam® underground coal gasification (UCG) technology.

Carbon Energy works with international partners to unlock new energy sources by converting deep, stranded, or otherwise uneconomical coal into a high-value gas, known as syngas, while it is still in-situ underground. Carbon Energy's market advantage lies in its proprietary keyseam UCG technology and its UCG technical and UCG engineering expertise.

The Company's keyseam UCG technology reached a proof of concept stage following 10 years of research by Australia's premier scientific research agency the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and more than 5 years of in-field trials.

keyseam produces a high-quality syngas which can be used for many purposes including power generation, fertilisers, and production of pipeline-quality gas. keyseam also maximises resource efficiency, while minimising surface disturbance and preserving groundwater quality.

Carbon Energy's three pillar growth strategy positions the Company to take advantage of a rising interest in UCG as a cleaner alternative to satisfy the world's growing energy needs; as well as optimising its Australian assets. The Company's core business strategy is to seek global opportunities to license its keyseam technology. Additionally, the Company holds significant coal and gas assets in Australia which offer the potential of long-term financial growth through commercialisation strategies.

The Company delivers end-to-end UCG services from initial project assessment through to commercial project development, operations, site decommissioning and rehabilitation. Carbon Energy is headquartered in Brisbane, Australia, is listed on the Australian Securities Exchange (ASX) as CNX and is quoted on the OTCQX International Exchange as CNXAY in the United States.

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