



carbonenergy

Carbon Energy Limited | ABN 56 057 552 137

ASX / Media Announcement

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Carbon Energy Signs Technology Licensing MOU for a Commercial Scale UCG Project in Argentina

- **Carbon Energy becomes the underground coal gasification technology partner of Delmo, an Australian diversified investment group, for a commercial scale UCG project in Argentina, South America.**
- **US\$10 million in technology licence fees are payable of which 75% will be payable on completion of the Bankable Feasibility Study and 25% on successful ignition of the initial Process Characterisation Panel, plus additional revenue from technology service fees and an ongoing production royalty.**
- **It is proposed that the commercial scale project will initially generate 300MW of electricity with further expansions planned.**
- **Project site consists of coal resource rights covering over 600,000 hectares in the Claromeco Coal Basin in Argentina.**
- **It is intended that the project will be fully funded by Argentine project partners.**

Carbon Energy (ASX: CNX, OTCQX: CNXAY) has taken another step in advancing its strategy to license the Company's UCG technology globally, signing a Memorandum of Understanding (MOU) with the Delmo Group (Delmo) to provide its keyseam® technology and related services for a commercial scale underground coal gasification (UCG) project in Argentina.

Carbon Energy will earn US\$10 million technology licence fee with US\$7.5 million paid on completion of the Bankable Feasibility Study and US\$2.5 million on successful ignition of the initial Process Characterisation Panel. The Company will also receive technology services fees and ongoing royalty once first revenue is generated from the project.

Delmo is an Australian based and privately owned diversified investment group with interests in property development, mining, and energy. Delmo has strong cultural and physical links with Argentina with a South American regional office based in Buenos Aires and also benefits from their broad network of contacts in the Argentine government and business community. Delmo acquired the coal exploration rights to over 600,000 hectares of land in the Claromeco Coal Basin in Argentina. The initial 300MW sized power plant will be connected directly to the local and national electricity grid, with further expansions planned.

Argentina is faced with rising electricity demand. The government of Argentina is in the process of commissioning large projects, both in the generation and transmission sectors to try and meet this demand. Delmo was quick to identify the opportunities for UCG in Argentina as a result.

The first stage of the project will involve a geological analysis of the sites to assess the UCG potential and to identify gaps in available coal data. Following this, the most suitable site will be selected once all relevant information is collected through further drilling and seismic information.

In parallel Delmo, its in-country partners and Carbon Energy will also progress the following key milestones in relation to the project:

- Secure an electricity off-take agreement from the governmental administrators of the wholesale electricity market in Argentina;
- Secure in-country funding for the project;
- Complete the Bankable Feasibility Study; and
- Determine and agree the levels of assistance available from the Argentine Government to aid the project development.

Carbon Energy CEO Morné Engelbrecht said “The Argentine Government is investigating alternative and unconventional ways to develop efficient and reliable energy from its vast in-country resources. Our partnership with Delmo aims to explore and take advantage of this opportunity through the application of Carbon Energy’s keyseam UCG technology.”

ENDS

For and on behalf of the Board

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

Carbon Energy delivers end-to-end UCG services from initial project assessment through to commercial project development, operations, site decommissioning and rehabilitation.

Carbon Energy achieved Proof of Concept of its keyseam technology following 10 years of research by 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 for many purposes including power generation, fertilisers and production of pipeline quality gas. keyseam maximises resource efficiency, whilst minimising surface disturbance and preserving groundwater quality.

Carbon Energy also has previously announced the following assets:

- 2.0 Billion tonnes¹ of coal JORC Inferred Resource in southeast Queensland's Surat Basin; and
- 743PJ² 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 has UCG projects in Australia, China, Chile, and Argentina.

¹ See CNX ASX/Media Announcement 2 April 2013. CNX is not aware of any new information that would materially affect the Resources stated.

² See CNX ASX/Media Announcement 8 December 2009. CNX is not aware of any new information that would materially affect the Reserves stated.

About Delmo Group

The Delmo Group is an Australian diversified investment group with interests in property development, and mining and energy, with a particular focus on Argentina.

The company was founded in 1979 as a real estate development company, and has been involved with a number of high profile real estate projects in Sydney and recently, Buenos Aries.

Delmo Group's core business has shifted away from property development as they utilise their management and technology expertise in other industries.

The Delmo Group is involved in the following sectors:

- Resources – The Delmo group has acquired and is undertaking geological studies on 10 copper and gold tenements in the Province of Salta in Argentina. This represents a total area of over 56,000 Ha.
- Energy – The Claromeco Basin in Argentina was identified as suitable for UCG by the Delmo Group. The Delmo Group sees significant opportunities in introducing and developing UCG into the Argentine energy market.
- Infrastructure – The Delmo Group has formed a consortium of Australian companies to tender for the feasibility and construction of a mining, rail and port project that was submitted to the Argentine Government last year. The tender documents are currently under review.