



carbonenergy

Carbon Energy Limited | ABN 56 057 552 137

ASX / Media Announcement

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CARBON ENERGY BECOMES EXCLUSIVE UCG PROVIDER FOR GOVERNMENT APPROVED PROJECT IN CHINA

- **Carbon Energy becomes the exclusive underground coal gasification (UCG) technology partner for an approved UCG project in Inner Mongolia, China.**
- **Mineral Resources Exploration Licence and UCG Demonstration Project Approval have already been gained from the Ministry of Land and Resources, P.R.C and the Inner Mongolian Government.**
- **The commercial terms include a technology licence fee and ongoing technology services fees. Royalties will be paid once revenue is generated by the project.**

Carbon Energy (ASX:CNX, OTCQX:CNXAY) today announced it has signed a Memorandum of Understanding (MOU) and a Definitive Technology Services Agreement to become the exclusive underground coal gasification (UCG) technology partner to Zhengzhou Coal Industry Group Co., Ltd (Zhengmei Group) for an Inner Mongolian UCG Project.

Zhengmei Group is noted among China's top 500 Enterprises and owns the Haoqin Coal Field in Xiwuqi, Inner Mongolia, China, which will be the location for the UCG Demonstration and Commercial Projects.

Carbon Energy's UCG technology was selected after a rigorous review process of available UCG technologies worldwide.

The proposed Demonstration and Commercial scale project will be fully funded by the Zhengmei Group. The Haoqin Coal Field resource has more than seven years of drilling and seismic data available and 3.1 Billion tonnes of China Ministry approved coal resource, covering 184km² (see attached location map).

Carbon Energy will earn a \$10 million technology licence fee payable on success of the Demonstration project and technology services fees for the duration of the projects. Ongoing royalties will also be paid once revenue is generated from the projects.

Carbon Energy will earn a further \$100,000 in Technology Services fees for the initial site characterisation and UCG suitability study over the next couple of months.

Should the Haoqin site be unsuitable, other coal leases owned by the Zhengmei Group are available to be assessed for UCG.

Carbon Energy's acting CEO, Morné Engelbrecht, said "the project was a very exciting development for the Company and continues to build on our strategic direction to be the UCG technology of choice and to license our UCG technology worldwide."

"We expect the project to not only provide solid cash flows from licensing our keyseam UCG technology and providing ongoing technology services but, most importantly, establish our technology in China." Mr Engelbrecht said.

ENDS

For and on behalf of the Board



Morné Engelbrecht
Acting Chief Executive Officer

**For more information please contact Andrew Crook on +61 419 788 431
or refer to our website at www.carbonenergy.com.au**

HAOQIN PROJECT LOCATION MAP



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;
- 743PJ² of Certified 2P syngas reserves in southeast Queensland's Surat Basin; and,
- 910 Million tonnes³ of coal JORC Inferred Resource at its Bridger, Wyoming USA farm-in area.

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.

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.

³ See ASX/Media Announcement 23 January 2013. CNX is not aware of any new information that would materially affect the Resources stated.