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ASX / Media Announcement

13 March 2014

Carbon Energy Receives Second Milestone Payment of \$1.1 million for Inner Mongolia Project

- **Milestone payment of \$1.1 million received**
- **Project revenues confer greater funding certainty on the Company**

Carbon Energy (ASX:CNX, OTCQX:CNXAY) is pleased to announce the Company's UCG Project in Inner Mongolia, China will now advance to the procurement and construction phase following receipt of a \$1.1 million milestone payment. This payment follows the initial payment received by the Company in November 2013.

The payment is the second instalment of a series of payments which will total \$8.25 million in Service and Technology fees for Stage 1. An additional \$7 million in Technology Licence Fees is also payable on completion of Stages 2 and 3.

Carbon Energy CEO Mr Morné Engelbrecht said: "This is a defining moment for Carbon Energy and marks an advancement of our Inner Mongolian UCG project towards construction. It further de-risks the project and provides important funding certainty for the company.

"This payment also reflects the commitment of the Haoqin Mining Joint Venture to the project and is a significant endorsement of our keyseam UCG technology," he said.

"By proving our UCG technology and services in China we are demonstrating to the world that Carbon Energy are leaders in the industry and have a real solution to providing a more efficient energy solution." Mr Engelbrecht said.

The commercial scale UCG project is the first commercialisation of Carbon Energy's proprietary keyseam UCG technology which was developed by Australia's premier scientific agency the CSIRO. CSIRO spent 10 years developing the technology with the aim of providing a more viable, cleaner and safer energy supply solution.

The \$1.1 million received is pre-payment for packages 4, 5 and 6 of a total of 8 engineering packages to be delivered for the first Stage.

The project is being delivered in 3 stages:

- Stage 1 (underway) – Construct and operate a single UCG panel from which the results will be used to confirm the site specific characterisation;
- Stage 2 – Construct and operate two additional panels to further validate the results from the first panel; and
- Stage 3 – Construct and operate a commercial scale production facility producing at least an estimated 30 PJ per annum.

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**

Inner Mongolia Project Location Map



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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