



Level 12, 301 Coronation Drive,
Milton QLD 4064 Australia
PO Box 2118, Toowong DC
QLD 4066 Australia
[phone +61 \(0\) 7 3337 9944](tel:+610733379944)
[fax +61 \(0\) 7 3337 9945](tel:+610733379945)
www.carbonenergy.com.au

Carbon Energy Limited
ABN 56 057 552 137

Carbon Energy (Operations) Pty Ltd
ABN 61 105 176 967

ASX Announcement

7 April 2011

Carbon Energy Completes Transaction for Major International Acquisitions

Carbon Energy Limited ("Carbon Energy" ASX: CNX) is pleased to advise that it has now completed its acquisition of 100% of the issued capital of USA-based Clean Coal Inc. and UK-based Clean Coal Amasra Limited.

Key Points

- The transaction delivers projects in three locations: Wyoming (USA), Montana/North Dakota (USA) and Amasra (Turkey) and
 - establishes key relationships with strategic partners in key energy markets; and
 - diversifies regulatory and market risk.
- Carbon Energy can potentially increase its coal resources by almost three fold to in excess of 2 billion tonnes if we are able to fully develop these assets combined with our existing 668 million tonnes (Mt) at our Queensland location (450Mt Inferred and 218 Mt Indicated with 2 metres cut-off). Our key commercial criterion for these projects is a resource of 500 Mt of in-situ coal at each of the three locations.

As announced on the 23rd February, this transaction delivers potential energy projects in the United States of America and Turkey as initially developed by the Clean Coal group.

- Wyoming, USA: Carbon Energy has the right to explore and lease coal tenements with Anadarko Land Corporation over 113 km² of tenements
- Montana / North Dakota, USA: Carbon Energy has the right to explore and lease coal tenements with Great Northern Properties (subsidiary of the Quintana Capital Group) in an area over 276 km² of tenements
- Amasra, Turkey: Carbon Energy will establish a 50/50 joint venture with Hema Endustri to develop UCG projects in Hema's coal tenements in Amasra.



Each of these projects provides access to higher priced energy markets, key relationships with strategic partners and offers diversification of market and regulatory risk. The US projects also offers potential for an additional revenue stream from the sale of CO₂ for Enhanced Oil Recovery.

Andrew Dash, Carbon Energy's Managing Director said, "This transaction is now complete and will launch Carbon Energy into both the North American and European markets underpinning the transformation of the Company into a truly international energy business, consistent with our articulated growth strategy.

The acceptance of the changes to the agreements that Carbon Energy sought underlines the desire of Anadarko, Great Northern Properties and Hema to progress these projects to full development with Carbon Energy.

Whilst we will need to undertake exploration programs for each site, the considerable amount of data available to Carbon Energy gives us a high degree of confidence that we will confirm our key milestone targets.

If we are able to fully develop these assets our experience in Queensland suggests that each project will be capable of producing approximately 5,000 PJ of syngas from 500 million tonnes of in-situ coal resource. In energy terms this is equivalent to approximately 5 TCF (trillion cubic feet) of natural gas.

Carbon Energy will now progress exploration and development activities in both the USA and Turkey. We have already moved to initiate planning and development for each project and Carbon Energy executives have recently travelled to Turkey as part of our project planning program.

In addition, Carbon Energy will push on with the development of a suite of products from "syngas", a mixture of hydrogen, methane and carbon monoxide produced in the UCG process. These downstream uses for syngas include low emission power generation, synthetic natural gas production and chemical manufacture, such as ammonia.

We believe that each of these products will play an important role in the US and European markets. In addition to these traditional product streams, there is market demand in the US for the use of carbon dioxide (CO₂) in Enhanced Oil Recovery (EOR), a technique that has been demonstrated at a commercial scale for over 30 years in the US.

The agreements with both Anadarko and Great Northern Properties not only provide access to the coal, but also include terms for the sale of CO₂, which offers Carbon Energy an additional product and source of revenue in the US," Mr Dash said.

The key points of the acquisition of the two companies are:

- Consideration of 27,645,208 Carbon Energy shares has been issued (US\$10 million of shares based on 60 day VWAP preceding the date of execution of the agreement of 23 February 2011) within the Company's 15% share issue capacity (ASX Listing Rule 7.1). Two further tranches of US\$4.5 million of shares each (based on 30 day VWAP at time of milestone achievement) will be issued subject to meeting key development milestones including the



delineation of JORC compliant coal resources in excess of 500Mt at two of the three locations. The projects are as follows:

- Wyoming Project: includes rights to explore and lease coal tenements with Anadarko Land Corporation over 113 km². Carbon Energy is responsible for rents and minimum expenditures and production royalty to Anadarko.
- Montana / North Dakota Project: includes rights to explore and lease coal tenements with Great Northern Properties (subsidiary of the Quintana Capital Group) in an area over 276km². Carbon Energy is responsible for rents, minimum expenditures and production royalty to GNP.
- Amasra Project: Carbon Energy will establish a 50/50 Joint Venture Agreement with Hema Endustri (subsidiary of the diversified Hattat Group) to develop UCG projects in Hema's coal tenements in Amasra northern Turkey. Carbon Energy is responsible for initial pilot costs, while the joint venture company is responsible for production royalties to state-owned mining company, Turkish Hard Coal Enterprise ("TTK").

For and on behalf of the Board



Andrew Dash
Managing Director

About Carbon Energy

Carbon Energy's purpose is to produce clean energy and chemicals feedstock from Underground Coal Gasification (UCG) syngas.

The Company's unique approach to UCG and syngas production increases the efficiency of capturing carbon dioxide making it a leader in clean coal technology.

Carbon Energy's technological advantage comes from its association with Australia's premier research agency, CSIRO, including world-class geotechnical, hydrological and gasification modelling capabilities.

Carbon Energy is building an international portfolio of coal assets suitable for UCG and accessible to high-value markets.

