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ASX Announcement

9 October 2013

Carbon Energy Signs MOU with Antofagasta Minerals to Potentially Acquire 100% of the Mulpun UCG Project in Chile

- **Carbon Energy signs MOU to potentially acquire the Mulpun UCG Project in Chile from Antofagasta Minerals S.A. (AMSA).**
- **Acquiring AMSA's rights is dependent upon securing third party funding for the project and acceptance of the commercial terms of the acquisition by AMSA.**
- **Discussions with potential new project partners underway.**
- **Project has over 3 years of planning, front end design and early site works completed.**
- **Project proposed to deliver a 250MW power station.**

Carbon Energy (ASX:CNX, OTCQX:CNXAY) is pleased to announce the Company has signed a Memorandum of Understanding (MOU) to potentially acquire all rights, title and interest in and to the Mulpun UCG Project in Chile, South America that are currently held by Antofagasta Minerals S.A. (AMSA).

The MOU acknowledges that Carbon Energy's ability to acquire AMSA's rights in the project is dependent upon the Company securing third party funding for the project and the acceptance of the commercial terms of the acquisition by AMSA, and gives Carbon Energy up until 28 February 2014 to secure third party funding and execute a definitive agreement with AMSA for the acquisition.

Carbon Energy is currently in discussions with potential equity partners and debt funding providers to fund the project including a party interested in constructing the power station and entering into a long term syngas off-take agreement. Furthermore the Company will be seeking to appoint a Corporate and Asset Finance Advisory Group to assist with securing the necessary project funding partners.

Chile is still the most strategic location for commercial UCG development due to its high energy cost and dependency on imported coal, natural gas and oil. Carbon Energy's keyseam® technology can be applied to the low quality, un-minable domestic coals to increase energy security for Chile.

Several major project milestones have already been achieved including:

- Environmental Permit Approval for the process characterisation panel obtained;
- Geological Assessment completed;
- Panel Location selected;
- Roads and Site established;
- Monitoring Wells and Drilling Pads completed;
- Panel Drilling materials purchased & on-site;
- Drilling Rig and Services identified;
- Final Design Plan completed; and
- Front-end Engineering Design (FEED) Study completed.

On the basis of the pre-feasibility study for power generation that has been completed by AMSA, the proposed project aims to supply syngas to a minimum 250MW power station.

Carbon Energy entered into a Project Agreement with AMSA in December 2009 (see ASX announcement 4 December 2009) to jointly develop a commercial UCG project in Mulpun, Chile. AMSA completed a major restructuring of its organisation, including leadership changes, resulting in a decision to cease progress on the Mulpun UCG project.

Carbon Energy CEO Morné Engelbrecht said "there are still significant opportunities in Chile for commercial UCG projects. The country is still experiencing energy supply challenges as is most of South America and relies on importing coal and natural gas to meet its domestic demand."

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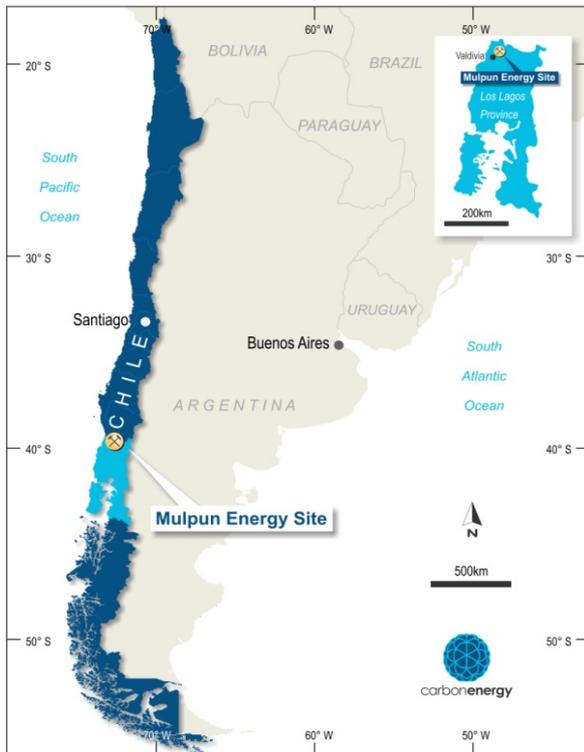
For and on behalf of the Board

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**

Mulpun UCG Project Map and Site Photo's:



Mulpun Energy Site Location



Site Established - Entrance



Monitoring Wells - Logging of Well



Monitoring Well Drilling on Vertical Drilling Pad



Completed Monitoring Well

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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