

Carbon Energy Limited - Sign Agreement For Major International Acquisitions

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Brisbane, Australia (ABN Newswire) - [Carbon Energy Limited](#) (ASX: CNX) (PINK: CNXAF) developer of Australia's first commercial Underground Coal Gasification (UCG) fuelled power station has executed a Share Sale Agreement to acquire USA-based Clean Coal Inc. and UK-based Clean Coal Amasra Ltd. This transaction delivers projects in the United States of America and Turkey as developed by Clean Coal Ltd. The acquisition has the potential to increase Carbon Energy's coal resources by almost three fold to in excess of 2 billion tonnes and underpins the Company's plans to build an international portfolio of UCG projects.

Key points

Carbon Energy to acquire two companies holding rights to projects in Wyoming (USA), North Dakota/Montana (USA) and Amasra (Turkey):

- Consideration of US\$10 million of shares (based on 60 day VWAP) which will be issued 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 complaint coal resources in excess of 500Mt at two of the three locations.

- Wyoming Project: includes rights to explore and lease coal tenements with Anadarko Land Corporation over 113 km².

- 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 and minimum expenditures and production royalty to Anadarko.

- Amasra Project: 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').

The Agreement has been approved by the Boards of the respective parties. There are a number of conditions precedent for the benefit of Carbon Energy consisting of minor variations to the agreements with Anadarko, Great Northern Properties and Hema, which are anticipated to be satisfied within the next 4 weeks.

Andrew Dash, Carbon Energy's Managing Director said, 'This Agreement will launch Carbon Energy into both the North American and European markets and underpins the transformation of the Company into a truly international energy business. 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 target resources.'

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, enough to generate 5,000 MW of electricity for 15 years in each location.

Our technology is particularly attractive where the coal lies in deep seams either unreachable or uneconomic to recover via conventional mining.

Moreover the technology which was developed in conjunction with Australia's premier research agency, CSIRO, has a low impact on the environment, does not de-water the regional water table and has a small surface footprint especially when compared with current mining technique which benefits all stakeholders.' said Mr Dash.

Strategic Rationale

Carbon Energy's strategy is to develop a portfolio of coal resources suitable for UCG and accessible to attractive markets in Australia and internationally to build on the Company's underlying coal inventory and to diversify market and regulatory risk.

The Company has actively sought to establish relationships with companies that can provide not only access to suitable coal resources but also access to downstream markets and associated expertise.

Mr Dash commented, 'This acquisition is consistent with our growth strategy and will establish the Company in our target markets of North America and Europe.'

In addition, the commercial partners we will have as a consequence of this acquisition are each major players in their respective markets. Their ability to bring considerable strategic benefits to this transaction will provide Carbon Energy with opportunities for early project success.

We have been developing 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 for carbon dioxide (CO₂) in the US for its use in Enhanced Oil Recovery (EOR), a technique that has been demonstrated at a commercial scale for over 30 years in the US. Wyoming's current shortage of CO₂ for EOR coupled with Anadarko being the State's largest consumer of CO₂ for this application provides significant opportunity for Carbon Energy to further reduce its carbon emissions in a commercially attractive manner.

The agreement with Anadarko not only provides access to the coal, but also includes terms for the sale of CO₂ to Anadarko for use in EOR applications in their existing oil production activities. While CO₂ may be viewed as a liability in some markets, it is an additional product and source of revenue in the US.

Wyoming is also one of the few jurisdictions to have an established regulatory approval process for the commercial production of syngas from UCG, and additionally, the State of Montana is expected to embrace a similar type of regulatory framework in the next few months,' said Mr Dash.

Commenting on the Turkish market Mr Dash said, 'Turkey imports some 70% of its energy needs and presents a significant opportunity for Carbon Energy'.

For the complete Carbon Energy Limited announcement including background notes on the 3 projects, please view the following link:

<http://www.abnnewswire.net/media/en/docs/66154-ASX-CNX-229396.pdf>

About Carbon Energy Limited:

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

Carbon Energy's unique approach to UCG and syngas production produces a low cost option for capturing CO₂ making it a leader in clean coal technology.

Carbon Energy's ambition is for syngas to become the preferred feedstock for producing clean coal power stations, an alternative to oil-based fuel, agribusiness products (fertilisers and explosives), polyolefin products (such as plastics) and allowing for economic carbon capture.

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

Carbon Energy is building an international portfolio of coal assets, suitable for UCG with close proximity to markets.

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