



METEX RESOURCES LIMITED

ABN 56 057 552 137

UNIT A2 118 RAILWAY PARADE WEST PERTH 6005

POSTAL ADDRESS BOX 1785 WEST PERTH W.A. 6872

TELEPHONE (61 8) 9321 5000

email:metex@metex.com.au

FACSIMILE (61 8) 9321 7177

http://www.metex.com.au

5 May 2008

Centralised Company Announcement Office
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
SYDNEY NSW 2000



Dear Sir,

MOU EXECUTED WITH INCITEC PIVOT LTD

Metex Resources Limited (ASX: MEE) and Carbon Energy Pty Ltd ("CEPL") are pleased to advise that a Memorandum of Understanding ("MOU") has been executed with **Incitec Pivot Ltd ("IPL")** whereby IPL agrees to **subscribe for 55 million shares in Metex for a payment of \$11 million.** The MOU also provides for a Joint Venture Company to be established upon the successful conclusion of a **commercial scale syngas, oxygen-injected Underground Coal Gasification ("UCG") demonstration trial at Bloodwood Creek**, in the Surat Basin, located 55km west of Dalby, in southeast Queensland.

IPL will gain exclusive global rights to the use of CEPL's UCG technology for ammonia and ammonia derived product manufacture either within or outside of a joint venture with CEPL, by way of Technology Licence Agreements.

IPL and CEPL intend to jointly pursue opportunities to exploit UCG technology in the context of new manufacturing facilities for ammonia and provision of UCG syngas to existing ammonia and ammonia derived product manufacturing facilities.

CEPL retains the right to use syngas from UCG for all other products such as Coal to Liquids, power generation and the manufacture of other high value petrochemicals.

It is anticipated that the parties will cooperate to investigate the viability of a 1,000 tonne per day ammonia plant, in respect of which IPL will have off-take rights, based on the production of syngas from the gasification of the Bloodwood Creek Coal resource. Within this JORC (2004) compliant Inferred Resource of 100 million tonnes of high quality coal, sufficient coal will be quarantined for a minimum 30 year life for any ammonia plant and related facilities which are constructed. The coal resource is expected to increase with further drilling.

IPL will hold a minimum of 10.5% equity in Metex, and joins the CSIRO (approximately 20% post settlement of CSIRO and Others shares in CEPL) as a major shareholder. IPL has the right to participate in future raisings to maintain its equity position.

The MOU is subject to completion of due diligence, and Metex shareholder approval for the completion of the purchase of remaining shares in Carbon Energy Pty Ltd held by CSIRO and others, and approval for the placement of the shares for which IPL has agreed to subscribe. IPL will also have the right to nominate a suitable Board member to the Metex Board.

HOA EXECUTED WITH CONSTELLATION ENERGY PTY LTD **(MITCHELL DRILLING)**

Metex and Carbon Energy are also pleased to announce that a Heads of Agreement ("HOA") has been executed with Constellation Energy (part of the Mitchell Drilling Group, who are the recognised experts in onshore directional drilling to the Coal Bed Methane Industry).

Under the HOA, Constellation Energy has agreed to accept payment for drilling services of \$3 million upon the issue of 15 million Metex shares; these services cover the Bloodwood Creek Trial.

Under the HOA Constellation Energy and Metex have also agreed to a strategic alliance for ongoing commercial development of UCG Projects in Australia.

These two transactions will result in a total of \$14 million in equity contribution for the Bloodwood Creek UCG trial.

Metex is working on finalizing arrangements for additional funding to meet the balance of requirements.

A related Media Release is attached hereto.

This release is the Announcement subject of our request for a trading halt on 1 May 2008.

For and on behalf of the Board



I.W. Walker
Managing Director

cc: Directors

Background to IPL:

Incitec Pivot

Incitec Pivot (**ASX: IPL**), an ASX Top 50 company, is a chemical manufacturer supplying agricultural fertilizers and industrial chemicals for Australian and international markets. Incitec Pivot is Australia's largest manufacturer and distributor of fertilizer products supplying Australian farmers with over three million tonnes of fertilizer per year.

Incitec Pivot has a portfolio of manufacturing assets including its fully integrated ammonium phosphate production facility at Phosphate Hill, Queensland, and an extensive distribution network across eastern Australia. It also undertakes trading through its international trading arm, Southern Cross International. Listed on the ASX in July 2003 following the merger with Incitec Fertilizers, the Company traces its roots to the early 1900s. As at 16 April 2008, IPL has a market capitalisation of approximately A\$8.4 billion.

On 11 March 2008, IPL announced the signing of an agreement with Dyno Nobel Limited under which IPL proposes to acquire all of the ordinary shares in Dyno Nobel not held by IPL, via a scheme of arrangement. The scheme of arrangement is subject to approval by Dyno Nobel shareholders and the Supreme Court of Victoria.

Competent Person Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr I.W. Walker, Managing Director Metex Resources Ltd who is a member of the Australian Institute of Geoscientists. Mr Walker has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Walker consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

METEX SECURES INCITEC PIVOT AS KEY STRATEGIC INVESTOR TO UNDERPIN UCG TRIAL

CHEMICALS GROUP TO ACQUIRE 10.5% STAKE THROUGH A\$11M PLACEMENT

Metex Resources Limited (**ASX: MEE**) – soon to be renamed Carbon Energy Limited – has taken a major step forward in the commercialisation of its Underground Coal Gasification (UCG) venture in Queensland after securing the leading chemical & fertilizer group **Incitec Pivot** as a cornerstone investor and strategic partner through an **A\$11 million share placement** and proposed **strategic Joint Venture**.

The Perth-based Company said today (**Monday**) that it had executed a Memorandum of Understanding (MOU) with Incitec Pivot (IPL) – which is a top-50 ASX Company with a market capitalisation of over A\$8 billion – under which IPL agrees to subscribe for **55 million shares in Metex at 20 cents per share** for a payment of **A\$11 million**.

In addition, the MOU provides for a Joint Venture Company to be established upon the successful conclusion of a planned UCG trial for the demonstration of commercial scale syngas. The A\$20 million trial will be undertaken at **Bloodwood Creek**, which is located in the Surat Basin, some 55km west of Dalby in southeast Queensland.

IPL will hold a minimum 10.5% stake in Metex, joining the CSIRO as a major shareholder in Metex. Last year, Metex reached agreement to take full ownership from CSIRO of their 50/50 Joint Venture company, Carbon Energy Pty Ltd (CEPL) for a combination of cash and shares.

“This is a major development for the Company and we are pleased to have the strategic backing of such a large and well-respected company as Incitec Pivot as we commence this landmark trial”, said Metex’s Managing Director, Mr Ian Walker.

“Metex has positioned itself as a trailblazer in the development of UCG projects on a commercially viable level, with the UCG technology offering the potential to significantly reduce the cost of introducing new clean coal technologies, by cutting costs of the coal gasification phase,” he added.

Metex recently announced that all approvals had been granted to proceed with a **commercial scale oxygen-injected UCG trial**. The Company has defined a 100 million tonne JORC compliant Inferred coal Resource at Bloodwood Creek, and within this resource sufficient coal will be quarantined for a minimum 30 year life for any ammonia plant and related facilities which are constructed. It is expected that this coal resource will be increased with further drilling.

Under the terms of the MOU, IPL will be granted exclusive global rights to the use of CEPL’s UCG technology to produce Syngas for ammonia and ammonia derived product manufacture, either within or outside of a joint venture with CEPL, by way of Technology Licence Agreements.

IPL and CEPL intend to jointly pursue opportunities to exploit UCG technology via new manufacturing facilities for ammonia and provision of UCG syngas to existing ammonia and ammonia derived product manufacturing facilities, with Metex retaining the right to use Syngas from UCG for all other products such as Coal to Liquids, power generation and other high-value petrochemicals.

It is anticipated that the parties will cooperate to investigate the viability of a 1,000 tonne per day ammonia plant, in respect of which IPL will have off-take rights, based on syngas production from the Bloodwood Creek Coal deposit.

About Incitec Pivot

Incitec Pivot is a chemical manufacturer supplying agricultural fertilizers and industrial chemicals for Australian and international markets. Incitec Pivot is Australia's largest manufacturer and distributor of fertilizer products supplying Australian farmers with over three million tonnes of fertilizer per year.

Incitec Pivot has a portfolio of manufacturing assets including its fully integrated ammonium phosphate production facility at Phosphate Hill, Queensland, and an extensive distribution network across eastern Australia. It also undertakes trading through its international trading arm, Southern Cross International. Listed on the ASX in July 2003 following the merger with Incitec Fertilizers, the Company traces its roots to the early 1900s. As at 16 April 2008, IPL has a market capitalisation of approximately A\$8.4 billion.

On 11 March 2008, IPL announced the signing of an agreement with Dyno Nobel Limited under which IPL proposes to acquire all of the ordinary shares in Dyno Nobel not held by IPL, via a scheme of arrangement. The scheme of arrangement is subject to approval by Dyno Nobel shareholders and the Supreme Court of Victoria.

HOA executed with Constellation Energy Pty Ltd

Metex and Carbon Energy have also announced today that a Heads of Agreement ("HOA") has been executed with Queensland drilling company Constellation Energy – part of the Mitchell Drilling Group, recognized experts in onshore directional drilling to the Coal Bed Methane Industry.

Under the HOA, Constellation Energy has agreed to provide drilling services for the Bloodwood Creek Trial and have agreed to accept 15 million Metex shares as consideration for these services. Under the HOA Constellation and Metex have also agreed to a strategic alliance for ongoing commercial development of UCG Projects in Australia.

Summary

The combination of the Incitec Pivot MOU and the Constellation Energy HOA will result in a A\$14 million equity injection into the Bloodwood Creek UCG trial, with Metex currently working on finalizing arrangements for the additional funding required to meet the costs of the trial.

"The deals with both Incitec Pivot and Constellation Energy effectively take care of a large portion of the \$20 million funding requirements for the Bloodwood Creek UCG trial," said Mr Walker. "We are currently reviewing a number of options to ensure the remaining balance of the trial costs are met and we are very confident of finalising this in the near future.

"These deals effectively bring us another step closer towards the successful completion of the UCG trial and the commercialization of Syngas, which will enable the Company to convert its existing 100 million tonne Bloodwood Creek coal resource into approximately 2,400 PJ of contained energy," he continued.

The MOU with Incitec Pivot is subject to completion of due diligence by IPL and approval from Metex shareholders for the completion of the purchase of remaining shares in Carbon Energy Pty Ltd held by CSIRO and others, and approval for the placement of the shares for which IPL has agreed to subscribe. IPL will also have the right to nominate a suitable Board member to the Metex Board. IPL has the right to participate in future raisings to maintain its equity position.

- ENDS -

Released by:
Nicholas Read/Jason Cunningham
Read Corporate
Telephone: (08) 9388-1474

On behalf of:
Mr Ian Walker
Managing Director
Metex Resources Limited
Telephone: (08) 9321-5000