



carbonenergy

Carbon Energy Limited | ABN 56 057 552 137

## ASX Announcement

22 October 2014

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### **Summary of Findings - Blue Gum Gas Project Positioned for Commercialisation**

- **Gasification proven to cease within 48 hours**
- **Water in cavity found to be of stock water quality**
- **Awaiting QLD Government approval to commence approvals process for the Blue Gum Gas Project**
- **Potential to unlock significant value in the Company's 5<sup>th</sup> Largest 2P Gas Reserves in Queensland<sup>i</sup>**

**Carbon Energy** (ASX:CNX, OTCQX:CNXAY) is pleased to announce the key outcomes from its submissions to the Queensland Government which will underpin the Company's decision to proceed with the development of its first commercial scale project, the 25PJ per annum Blue Gum Gas Project (the Project), pending approval from the Queensland Government.

In 2012, the Queensland Government appointed an Independent Scientific Panel (ISP) to assess the pilot trials in Queensland. The ISP recommended that decommissioning be demonstrated prior to commencement of commercial operations. Carbon Energy has now fully responded to this ISP requirement.

A decision based on our submissions to the Queensland Government is under consideration. A positive decision would allow the Company to commence the processes required to develop the 25PJ per annum Project.

The Project, to be developed on the current Bloodwood Creek site and adjacent land owned by the Company, will assist in addressing forecast medium term local gas shortages from around 2017 by delivering 25PJ per annum of pipeline quality natural gas for use by local industry. The Company is continuing discussions with potential investors and off-take partners for this project.

## Summary of key findings:

In response to widespread investor interest, Carbon Energy provides a summary of the key findings from the Company's Bloodwood Creek pilot project below:

1. **Safe and effective operation** – Through the project, the Company demonstrated the safe and effective operation of the CSIRO-developed technology. In mid-2012, it was reported that Carbon Energy had achieved independent verification of the production of syngas with world leading quality and consistency;
2. **Gasification ceased within 48 hours** – All gasification was shown to have ceased within 48 hours of stopping air injection, as demonstrated through the change in gas composition, confirming the successful decommissioning of the UCG gasifiers in line with expectations;
3. **No impact on regional use of groundwater** – Site investigations has proven that the keyseam technology could be operated without impact on the regional use of groundwater; and
4. **Cavity water of stock water quality** – The self cleaning principle of the Company's keyseam design was proven, and steam cleaning during decommissioning has resulted in the water remaining in the cavity being of stock water quality.

Carbon Energy will keep the market informed as progress is made with the approvals process.

For and on behalf of the Board

**Morné Engelbrecht**  
**Managing Director & CEO**

## **About Carbon Energy**

Carbon Energy (ASX: CNX) (OTCQX: CNXAY) is building a Queensland gas business.

The Company is committed to providing Australian industrial gas users with an affordable and secure source of high quality gas, as gas prices continue to rise with increased overseas demand.

Carbon Energy is developing a new Queensland-based energy portfolio. Subject to government approvals, the Company is currently developing its first commercial project, the Blue Gum Gas Project, near Dalby in Queensland. This plant will supply 25PJ of natural gas per annum and is located within easy access to markets, and close to existing infrastructure.

Additionally, Carbon Energy has the potential to supply the growing overseas markets.

A key competitive advantage for Carbon Energy has been the development of its unique keyseam technology. This proven and highly controlled technology enables access to productive gas resources that were previously considered too deep or uneconomic.

keyseam maximises resource efficiency, while minimising surface disturbance and preserving groundwater quality. Originally developed by the Commonwealth Scientific and Industrial Research Organisation (CSIRO) it has been proven through six years of field trials.

Alongside its local operations, Carbon Energy works with international partners to unlock new energy resources offshore. The Company delivers end-to-end services from initial project assessment through to commercial project development, operations, site decommissioning and rehabilitation. It also has an established project in Inner Mongolia, China.

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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<sup>i</sup> All Reserve and Resource estimates (**Estimates**) in this document are reported in accordance with the requirements of ASX Listing Rules 5.25 to 5.28. It is noted in particular that:

(a) This document refers to Estimates reported on 19 September 2014 and released to the market on 22 September 2014 (**Updated Reserves Statement**);

(b) All Estimates are based on the deterministic method for estimation of petroleum resources at the field and project levels and are attributable to the gross (100 percent) ownership interest of Carbon Energy in certain coal properties located in MDL374, EPC867, EPC869 and EPC1132 located in the Surat Basin of Queensland, Australia;

(c) All Estimates are reported using the following conversion factors as relevant:

(i) UCG Energy conversion factor is 16.73 GJ of syngas per tonne of coal gasified;

(ii) UCG syngas to Synthetic Natural Gas (SNG) conversion factor is 38.5 to 25;

(iii) 1,055 Petajoule (PJ) = 1 Trillion cubic feet (Tcf); and

(iv) 1 barrel of oil equivalent (boe) = 6,000 cubic feet.

Further, Carbon Energy confirms that it is not aware of any new information or data that materially affects the information included in the Updated Reserves Statement and that all material assumptions and technical parameters underpinning the estimates in the Updated Reserves Statement continue to apply and have not materially changed.