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Carbon Energy (Operations) Pty Ltd

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ASX Announcement

27 April 2015

Carbon Energy Business Development Update

- **DEHP submitted its environmental recommendations to DNRM**
- **International business initiatives continue**

Carbon Energy (ASX: CNX, OTCQX: CNXAY) is pleased to provide this business development update in response to the increasing volume of queries received from shareholders and other interested parties regarding the Queensland Government review process and other interim business development activities. Further information regarding the Company's recent activities will be available in the Carbon Energy Quarterly Activities Report for the period ending 31 March 2015.

Queensland

The Company has received confirmation the Department of Environment and Heritage Protection (DEHP) has provided its environmental findings and recommendations on the Company's Decommissioning Report and Rehabilitation Plan to the lead agency in this process, the Department of Natural Resources and Mines (DNRM).

The report by DEHP to DNRM is a significant step toward progressing the Company's plans to commence the Environmental Impact Study (EIS) for its proposed Blue Gum Gas Project in the Surat Basin.

The Company continues to work constructively with the key departments and Ministerial Offices to provide necessary briefings on its technology and the Blue Gum Gas Project.

As previously reported the Company submitted its Decommissioning Report and Rehabilitation Plan to DEHP in the last quarter of 2014 as the final step in meeting the Government's requirements arising from the recommendations of the Independent Scientific Panel (ISP). On 22 December 2014, the Company further reported DEHP had advised their external consultants had finalised their review of these reports, and that the department expected to submit its report to DNRM in early 2015.

CEO and Managing Director Morné Engelbrecht said, “We remain in close contact with the new government as they take the time to consider DEHP’s recommendations on our scientifically proven and unique technology.

“The Blue Gum Gas Project will deliver at least 1000 new jobs during construction and also be part of saving hundreds of manufacturing jobs. This project has the potential to play a major part in delivering low cost gas to local Queensland businesses.

“We have proven that our technology, developed in conjunction with the CSIRO, has superior environmental abilities above any other technology of its kind. This has been achieved over a period of six years and under the intense scrutiny of the Queensland Government.” Mr Engelbrecht said.

International

The demonstrated and scientifically assessed Bloodwood Creek trial results provide confidence in the Company’s technology through its complete lifecycle, from initiation to rehabilitation, which now underpin the marketing of the technology.

While the lead agency finalises its recommendations, the Company has increased its attention on securing further licensing and joint venture opportunities globally.

Mr Engelbrecht added, “The environmental results we have achieved in Queensland have promoted significant interest from Asia and Europe where we are focusing our efforts to maintain the Company as a leader in the field.”

ENDS

For and on behalf of the Board

Morné Engelbrecht
Managing Director & Chief Executive Officer

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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