



carbonenergy

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ASX Announcement & Media Release

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Response to Queensland Government's Anti-Innovation Decision

Carbon Energy (ASX:CNX OTCIQ:CNXAY) today expressed its disappointment with the Queensland Government's anti-mining and anti-innovation decision in relation to its announcement on a complete ban on underground coal gasification (UCG) in Queensland.

The unexpected announcement was delivered without consultation despite recent meetings being held with the Company and the Government's acknowledgement that Carbon Energy had worked openly and transparently with Government.

Carbon Energy has spent more than eight years and \$150 million successfully demonstrating its innovative and unique keyseam technology, initially developed by the CSIRO, in a process set by the Government, with oversight by an Independent Scientific Panel (ISP). This process incorporated a comprehensive review by the ISP and was peer reviewed by two Chief scientists including a former Australian Chief Scientist and the Government's own Chief Scientist. The ISP report positively stated that UCG could be conducted in a manner that is acceptable socially and environmentally safe when compared to a wide range of other existing resource-using activities.

Additionally Carbon Energy was asked to complete a full site investigation and provide a Decommissioning Report and a Rehabilitation Plan which it did by the end of 2014 after agreeing with the Government that these would be the final hurdles in the process before commercialising. The Company understands that the Government's appointed consultants who reviewed the Decommissioning Report and Rehabilitation Plan, positively attested to those plans as concluding the obligations under the ISP.

Also more than 12 months after it received the consultant's report at the completion of the ISP, the Minister approved a renewal of the Mining Development Lease for our site in December 2015, just four months ago. There is nothing regarding Carbon Energy, our site or our technology that has changed since then to reflect today's announcement.

The Government's blanket ban has been said to be based on the "environmental impact" of UCG despite Carbon Energy's results showing its unique keyseam technology can be managed in an environmentally responsible and safe manner. The government statement released yesterday consolidates the three pilot technologies under UCG and does not distinguish Carbon Energy's unique CSIRO developed keyseam technology.

The decision also disregards the impact on the small innovative company and its approximately 5000 Australian, "mum and dad" investors including many Queenslanders. The Queensland government also foregoes 1000 potential construction jobs, as well as potentially maintaining

hundreds of manufacturing jobs in the state. This is despite the Government announcing last week that it was focused on commercialising science and innovation.

Chairman Dr Chris Rawlings stated he was “unimpressed by the Government’s decision and handling of the process, “The Government’s decision does not reflect the scientific work undertaken by its own ISP process and endorsed by its own scientific advisors. The announcement is disappointing as it fails to acknowledge the unique position of Carbon Energy’s keyseam technology and that the Company demonstrated that it can operate the its technology in an environmentally responsible and safe manner. It will mean the loss of another Queensland developed innovative technology forced to look off-shore to commercialise its technology at a time that the Government is claiming to support innovation”.

The Company is seeking a meeting with the Premier as soon as possible and will pursue formal recognition of the successful completion of the ISP recommendations as we continue to commercialise our technology off-shore.

ENDS

For and on behalf of the Board

Chris Rawlings

Chairman of the Board of Directors