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ASX/Media Announcement

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\$US 10 MILLION RECEIVED BY THE JINHONG JV

- **\$US 10 million initial milestone payment made to the JV by Beijing JinHong Investment Co**
- **Demonstrating further progress with the joint venture, which is actively seeking and reviewing potential project sites**

Carbon Energy Limited (ASX:CNX, OTCQX:CNXAY) today announces a key milestone in the development of its China Joint Venture ("JV") with Beijing JinHong Investment Co. Ltd ("JinHong"), receiving the initial \$US 10 million payment from JinHong as the initial capitalisation payment for the JV under the Joint Venture Agreement.

The \$US 10 million is the first required milestone payment under the JV agreement that will see JinHong contribute a total of \$US 30 million towards the development of a commercial demonstration project upon the completion of defined milestones.

Carbon Energy and JinHong are also actively working towards finalising discussions in relation to matters raised by JinHong around the JV's ability to secure an exclusive licence to the Company's technology and intellectual property in China on an unencumbered basis relating to technology and intellectual property. Carbon Energy and JinHong are actively working to resolve these matters in the short term. Both Carbon Energy and JinHong acknowledge that this has caused delays in commencing the JV's demonstration project and accordingly both parties are seeking to resolve these matters expeditiously. Meetings in Beijing during the course of the last week have enabled these matters to be progressed.

With the initial funding now in place, the JV will assess its shortlist of suitable projects. Carbon Energy will provide technical and design services, supervision and training for all JV projects, and other agreed required services under a Technical Services Agreement.

Commenting, the Managing Director of Carbon Energy, Kerry Parker, who has recently returned from Beijing following a series of meetings with JinHong, said: "This is a significant step forward for Carbon Energy, moving closer to our strategic priority to commercialise the Company's keyseam technology in China, with our partner JinHong. There is considerable demand in this market for advanced coal technologies. Additionally supportive macro drivers, such as the emphasis on the industry in the Chinese Government's 13th five year plan, are underpinning the expansion of China's UCG industry. The joint venture with JinHong ideally positions Carbon Energy to capitalise on this demand. JinHong is a valuable partner for us as we work towards our first commercial project in China".

Carbon Energy also advises that it is actively working towards the re-financing of the Company's convertible with the Pacific Road Group which matures in early 2017. The Company has recently appointed PriceWaterhouseCoopers and Magma Capital to assist with this re-financing. Further updates on this will be provided in coming weeks.

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About Carbon Energy

Carbon Energy (ASX: CNX) is building a technology licensing business, utilising its unique keyseam technology. The Company is committed to providing industrial gas users with an affordable and secure source of high quality feedstock.

Carbon Energy is the only company to complete a full-lifecycle, commercial scalable underground gasification trial. The Company's keyseam technology has successfully accomplished all the recommendations outlined by the Queensland government's Independent Scientific Panel (ISP) which included intense, independent environmental scrutiny.

This highly controlled, proven technology enables access to resources that were previously considered too deep or uneconomic to reach.

keyseam maximises resource efficiency while minimising surface disturbance and preserving regional groundwater use. Originally developed by Australia's leading research and scientific body, the Commonwealth Scientific and Industrial Research Organisation (CSIRO) it has been operationally proven through six years of field trials.

Carbon Energy is working with international partners to unlock new energy resources offshore. The Company can deliver end-to-end services from initial project assessment through to commercial project development, operations, site decommissioning and rehabilitation.

Carbon Energy is headquartered in Brisbane, Australia and is listed on the Australian Securities Exchange (ASX).

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