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ASX/Media Announcement

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CARBON ENERGY TO PLAY KEY ROLE IN PIONEERING CHINESE UCG RESEARCH CENTRE

Carbon Energy Limited (ASX:CNX, OTCQX:CNXAY), announces the Company's participation in the formation of a globally significant Underground Coal Gasification (UCG) research centre in China in conjunction with one of the world's largest mining universities, the China University of Mining and Technology (CUMT).

Carbon Energy has two representatives on the governing body of the CUMT International Research Centre for Underground Coal Gasification ("the Centre") which has been established to develop the highest standards for China's growing UCG industry and was officially opened on 24 April 2016 in Xuzhou, Jiangsu Province. The Centre will initially be funded by Chinese private industry participants and CUMT, and it is anticipated that additional funds for the Centre will become available from Government sources.

The Centre has established a technical advisory committee consisting of a panel of international experts renowned for their industry, academic and scientific achievements, and includes the previous Chief Scientist of Australia, Professor Robin Batterham. In his remarks during the opening of the Centre Professor Batterham noted that there are many areas where UCG can be competitive as coal is often available where natural gas is not, particularly in China and where coal seams are too deep and too variable to warrant mining. He also noted that UCG offers the chance to utilise such resources in an effective and responsible manner.

The establishment of the centre is an important step forward in the advancement of Carbon Energy's expansion plans in China, where the company has a joint venture with Beijing JinHong Investment Co. Ltd to develop a vertically integrated gas business in China.

Commenting, Morné Engelbrecht, CEO of Carbon Energy, said: "This is an important development in a market that is highly receptive to UCG technology. The establishment of the Centre funded by the university indicated the Country's willingness to establish a world leading UCG industry based on science."

China's strong demand for lower emission coal technologies, as well as its supportive government policy, makes China a compelling opportunity for Carbon Energy's keyseam technology. The Centre has been established to encourage the development of UCG technology by industry and Government groups alike, as the environmentally acceptable utilisation method for coal. This is closely aligned to the Chinese Government's 13th five year plan, which is a vital macro driver underpinning the expansion of China's UCG industry.

The Centre will bring together potential collaborators in the industry to evaluate technologies for specific coal deposits and industry applications and is an important platform for Carbon Energy to showcase its technology to an influential and highly receptive industry audience in China.

The Centre will seek to simplify the regulatory process by establishing national and international standards of operation for UCG and formally seek recognition by Government. These clear parameters will encourage further investment in the industry in China. The work of the Centre is expected to support project developers in obtaining permits and to significantly reduce the time required to commence projects.

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For and on behalf of the Board

Morné Engelbrecht
Chief Executive Officer and Managing Director

For more information please visit our website www.carbonenergy.com.au

About the International Research Centre for Underground Coal Gasification

The Centre has a governing body consisting of five representatives of the China University of Mining Technology, four from private industry, two from Carbon Energy and two international scientists. Carbon Energy's Dr Cliff Mallett has been appointed as Director of the Centre.

A technical committee of international scientists, including two representatives from Carbon Energy, will advise on Centre activities and be chaired by Professor Peter Schreiner from Germany.

Initial funding from private industry will be 20M yuan for Centre facilities, and 1M yuan per year for operations. The University will contribute a minimum of 6 academic positions for the Centre. It is anticipated that additional funds for the Centre will become available from Government sources.

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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