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MEDIA RELEASE 22 JULY 2009 - ZEROGEN

Please find attached a statement that is being released to the media today with regard to ZeroGen.

On behalf of the Board

Prem Nair
Company Secretary

ASX/MEDIA RELEASE

22 July 2009

Australia`s first low-emissions Coal Project combining UCG and CCS technology - a step closer

Progress towards what will be Australia's first demonstration of Underground Coal Gasification (UCG) with Carbon Capture and Storage (CCS) technology took a major step forward today with the signing of an agreement between Queensland companies Carbon Energy and ZeroGen.

The agreement signals the first phase of a CO_2 injection test program which will see Carbon Energy combine their successful Underground Coal Gasification (UCG) technology with ZeroGen's techniques for CO_2 injection.

ZeroGen is developing the world's first commercial-scale demonstration of another low-emissions coal technology - Integrated Gasification Combined Cycle (IGCC) with CCS – and has been conducting a highly advanced CO_2 storage exploration program in the Northern Denison Trough (NDT), near Springsure in Central Queensland, since 2006.

Captured CO_2 from the Carbon Energy UCG plant will be transported by ZeroGen for injection and storage up to two kilometres underground in the NDT, which has already been found to have suitable geology to safely and securely store large quantities of CO_2.

This test will demonstrate the technical viability of producing low emission electricity from UCG . Successfully combining Carbon Energy's UCG technology and ZeroGen's CO_2 injection capability means that coal-fired electricity emissions could be reduced by up to two thirds.

"This agreement is a key component in our commercialisation strategy and effectively positions Carbon Energy and ZeroGen as market leaders in the production of clean energy and chemical feedstock," said Managing Director Andrew Dash.

"Last week we signed a multi-million dollar commercial contract with Ergon Energy, that will see us build a 5 megawatt gas-powered electricity station on our Bloodwood Creek site in the Surat Basin, with electricity flowing into the local grid by the end of this calendar year," said Mr Dash.

"It is our intention for this to be followed quickly by the construction of a 20 megawatt station at the Bloodwood Creek site incorporating carbon capture and storage."

"The scoping study for the carbon capture and storage component of this project is to start immediately with initial findings by the end of this calendar year, with the first phase of a CO_2 injection test program expected to commence in conjunction with the completion of Carbon Energy`s 20 MW power station in approximately 18months. The project is subject to completion of front end engineering design and a final investment decision is anticipated to be taken in December 2009."

"The relationship with ZeroGen will allow Carbon Energy to demonstrate the production of greener and cleaner electricity, in commercial quantities at prices that we believe will be far lower than competing technologies."

"We are delighted to be moving to the next stage in the evolution of our UCG technology," said Mr Dash.

"ZeroGen looks forward to working with Carbon Energy to further develop the CCS industry in Australia, which is widely identified as being essential to ensure the continued and environmentally-responsible use of coal in electricity production," said ZeroGen CEO, Dr Tony Tarr.

"We're excited by the future possibilities that combining our two areas of expertise will deliver in the area of low emissions technologies. The agreement with Carbon Energy further enhances ZeroGen's reputation as Australia's CO_2 transportation and storage specialist."

"In addition to providing services to Carbon Energy, ZeroGen continues with our core business of developing a 530MW IGCC with CCS plant, which has the potential to capture and safely store up to 90% of CO_2 emissions, or approximately 3 million tonnes per annum," Dr Tarr said.

Carbon Energy's vision is to develop a major energy and industrial park at its Blue Gum property near Kogan in regional Queensland consisting of a 300 MW low emission power station, synthetic natural gas plant and world scale chemical production facility.

The combined UCG and carbon capture and storage project at a 20 MW scale will assist Carbon Energy and its commercial partners in the technical and commercial assessment for the development of the Blue Gum Energy Park. These major developments will be subject to Carbon Energy obtaining a Mining Lease and associated approvals from the Queensland Government including a satisfactory outcome from the technical and environmental review of UCG as outlined in the Queensland Government's announced UCG Policy. Carbon Energy has submitted its Mining Lease application and is actively working with the relevant Government departments to progress the approvals and review process. It is anticipated that these processes will be completed no earlier than December 2010 at which time Carbon Energy will be in the final stages of completing its financial assessment with its commercial partners.

The agreement with ZeroGen and recently announced off-take agreement with Queensland Government owned Ergon Energy are key milestones in Carbon Energy progressing towards its vision to be a major energy player in Queensland.

About Carbon Energy

Carbon Energy's purpose is to produce clean energy and chemicals feedstock from Underground Coal Gasification (UCG) syngas.

Carbon Energy's unique approach to UCG and syngas provides a low cost option for capturing CO_2, making it a leader in clean coal technology.

Carbon Energy's goal is for syngas to become the preferred feedstock for producing clean coal power stations, an alternative to oil-based fuel, agribusiness products (fertilisers and explosives), polyolefin products (such as plastics) and allowing for economic carbon capture.

Carbon Energy's technological advantage comes from its association with CSIRO including world class geotechnical, hydrological and gasification modelling capabilities.

Located at the hub of the Surat Basin's energy infrastructure, Carbon Energy's energy resources are perfectly positioned to provide the basis for future energy, industrial and agricultural chemicals, and liquid fuels for export and to the growing local industrial hub.

About ZeroGen

ZeroGen was established by the Queensland Government to facilitate the accelerated development and deployment of low emission coal technologies.

Through the ZeroGen Project, it expects to be first in the world to construct and operate a commercial-scale 530MW (gross) Integrated Gasification Combined Cycle (IGCC) with Carbon Capture and Storage (CCS) facility for the production of low-emission baseload electricity.

ZeroGen's leading work in IGCC with CCS technology will redefine the energy landscape in Australia and around the world with smarter, cleaner power.

About Underground Coal Gasification

Underground Coal Gasification heats the coal underground and converts it into synthetic gas (syngas), which is then brought to the surface where it can be used for electricity production or converted to liquid form to produce a variety of fuels.

This is achieved by injecting oxidising gases, such as oxygen, steam or air down a borehole into a gasification chamber in the coal. Chemical reactions convert the goal into gas, and the UCG syngas is extracted through another borehole. The gas is cleaned on the surface and processed for its specific use at that site.

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