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ASX / Media Announcement

8 July 2013

Carbon Energy Welcomes Clarity on Path to UCG Commercialisation in Queensland

- **Clear path to the commercialisation of UCG in Queensland established**
- **Carbon Energy's parallel CRIP technology is recognised as current state of the art UCG technology and a significant advancement on the alternatives**
- **Significant step towards commercial realisation of Carbon Energy's Bloodwood Creek 2P syngas Reserve**

Carbon Energy (ASX:CNX, OTCQX:CNXAY) welcomes the Queensland Government's announcement of the next steps in the pathway to commercialisation of the Underground Coal Gasification (UCG) industry in Queensland.

Today the Queensland Government, based on the Independent Scientific Panel (ISP) report, has confirmed that Queensland is probably a world leader in the development of UCG technology and, in principle, there is no reason to suggest that a UCG project cannot be safely developed and operated to produce more gas for Queensland using this technology.

The overarching conclusions of the ISP Report are:

- "Underground coal gasification could, *in principle*, be conducted in a manner that is acceptable socially and environmentally safe when compared to a wide range of other existing resource-using activities.
- The ISP is of the opinion that for commercial UCG operations in Queensland *in practice* first decommissioning must be demonstrated and then acceptable design for commercial operations must be achieved within an integrated risk-based framework."

The ISP Report also recognises Carbon Energy's parallel CRIP UCG technology (developed over 10 years with the CSIRO and tested through 5 years of in-field trials) as current state of the art UCG technology and a significant advancement on the alternatives.

Carbon Energy agrees with most, but not all, of the detail of the ISP Report. In particular, Carbon Energy notes that considerable further work has been completed since the ISP requested data over 12 months ago. Notably, Carbon Energy ceased all gasification at the trial site as a prerequisite for the decommissioning phase which has been underway since October 2012. The Company has also engaged with the Department of Environment and Heritage Protection (DEHP) on the draft framework produced by the DEHP for decommissioning (see attachment outlining steps taken in this regard during the last 12 months). It should also be noted that decommissioning of UCG has already been successfully demonstrated in the USA.

Carbon Energy absolutely accepts that, prior to commencement of a commercial operation, a decommissioning plan must be developed and agreed with Government as the last phase of the UCG life cycle. However, the requirement to demonstrate decommissioning before a commercial facility can commence reflects a "no-risk is acceptable" approach which sets a higher standard than that applied to other resource industry projects in Queensland. The commercialisation of UCG will ensure supply of domestic gas, local jobs, and investment in the State.

Carbon Energy CEO Morné Engelbrecht said "Carbon Energy is now confident we can move forward with the next steps on the pathway to commercialising of our keyseam UCG technology."

"We have successfully demonstrated our competence in site selection, panel design, construction, ignition and operation. We now look forward to working constructively with the Queensland Government to develop and agree a decommissioning plan," he said.

ENDS

For and on behalf of the Board

Morné Engelbrecht
Chief Executive Officer

**For more information please contact Morné Engelbrecht on +61 7 3156 7711
or refer to our website at www.carbonenergy.com.au**

Attachment

- Decommissioning of panel 2 commenced on 23 October 2012, to lower the cavity pressure and promote groundwater inflow to cool the cavity.
- Decommissioning strategy document prepared.
- Engaged consultants to assist in developing a treatment plan including partnership with a renowned US laboratory.
- Developed a sampling protocol to characterise the bio-geochemistry of the cavities.
- Developed well designs for sampling.
- Commenced engagement with DEHP on their draft decommissioning framework.

About Carbon Energy

Carbon Energy specialises in underground coal gasification (UCG). Our proprietary keyseam® technology is the key to unlocking new energy sources, transforming stranded, deep or otherwise uneconomic coal resources into high-value fuels with lower carbon emissions.

Carbon Energy delivers end-to-end UCG services from initial project assessment through to commercial project development, operations, site decommissioning and rehabilitation.

Carbon Energy achieved Proof of Concept of its keyseam technology following 10 years of research by Australia's premier scientific research agency, the Commonwealth Scientific and Industrial Research organisation (CSIRO), 5 years of in-field trials and over \$100 million investment in technology development.

By successfully proving our keyseam technology, we have earned a reputation for delivering consistent, high quality product gas which can be used for many purposes including power generation, fertilisers and production of pipeline quality gas. keyseam maximises resource efficiency, whilst minimising surface disturbance and preserving groundwater quality.

Carbon Energy also has previously announced the following assets:

- 2.0 Billion tonnes¹ of coal JORC Inferred Resource in southeast Queensland's Surat Basin; and
- 743PJ² of Certified 2P syngas reserves in southeast Queensland's Surat Basin.

The Company is headquartered in Brisbane, Australia, listed on the Australian securities Exchange (ASX) as CNX and is quoted on the OTCQX International Exchange as CNXAY in the United States. Carbon Energy has UCG projects in Australia, China, and Chile.

¹ See CNX ASX/Media Announcement 2 April 2013. CNX is not aware of any new information that would materially affect the Resources stated.

² See CNX ASX/Media Announcement 8 December 2009. CNX is not aware of any new information that would materially affect the Reserves stated.