



carbonenergy

Carbon Energy Limited | ABN 56 057 552 137

ASX / Media Announcement

11 April 2013

Carbon Energy - Shareholder update

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Carbon Energy Limited
ABN 56 057 552 137
Carbon Energy (Operations) Pty Ltd
ABN 61 105 176 967

Carbon Energy (ASX: CNX, OTCQX: CNXAY) is pleased to be providing its shareholders with the following update on activities currently being pursued by the Company.

While the energy and financial markets remain challenging both in Australia and overseas, Carbon Energy remains committed to progressing its strategic objectives for building a strong future for the Company.

Technology licensing and services

Carbon Energy remains focused on business development of its UCG technology and is currently progressing technology licensing and services opportunities not only in China but worldwide. Carbon Energy has received an increase in UCG related enquiries and in the last quarter has been approached from Companies and/or Governments operating in China, India, Indonesia, South and North America.

Shanxi Coal

Carbon Energy remains committed to its relationship with and becoming the UCG technology partner of choice for Shanxi Coal Transportation and Sales Group (Shanxi Coal) in the Shanxi Province in China.

A number of governmental changes in China including a new Governor for the Shanxi Province and just recently a new Mayor for Changzhi City (proposed project location area) have unfortunately delayed access to and approval by the local Government. Without local Government approval, no payment of the contracted US\$7.5 million technology fee can be made.

In a positive development, Shanxi Coal has re-affirmed its commitment to the project with the recent appointment of the China University of Mining and Technology (CUMT) as its new China technology partner to assist Shanxi Coal in its undertaking to develop the new relationships to provide a positive outcome for the project.

Carbon Energy's Acting CEO, also recently met with the Chairman of Shanxi Coal, who reaffirmed their commitment to the project and noted that Shanxi Coal was engaging with the new Governor with regards to completing the transaction.

Surat Basin Coal assets

On 2 April 2013, Carbon Energy announced a 48% increase in its JORC Inferred Coal Resource to 2 Billion tonnes on its 100% owned Surat Basin tenements. The increase is

based on additional bore hole data that recently became available on public file. The results of the concept study confirms that the Company holds coal assets with the potential for development into significant mining operations.

Monetisation of this significant coal asset will financially underpin the Company going forward.

Queensland UCG policy

Carbon Energy was advised by the Queensland Government in early December 2012 that a final report on UCG had been provided to the Government from the Independent Scientific Panel (ISP). A policy for the development of UCG in Queensland is anticipated to be developed by the Government following analysis of the ISP Report.

The Company continues to work proactively with the Queensland Government at various levels and awaits advice as to the next steps and the outcome of a policy for UCG in Queensland.

Bloodwood Creek Gas Reserve

Over the last 3 months Carbon Energy has been working with Brisbane based processing engineering specialist LogiCamms to complete a full Scoping Study on the Company's large 743PJ Certified 2P Syngas Reserve. The outcome of this study which identifies commercialisation opportunities is anticipated to be released shortly.

The outcome of the study will show that UCG is cost competitive when compared to other unconventional gas resources in Queensland and that it should be part of the overall solution in relation to the looming gas shortage, that is expected to affect the eastern states of Australia from 2015 onwards.

CEO/MD appointment nearing completion

The appointment of the CEO/MD is nearing completion and the Board will make the necessary announcement once the appointment is finalised.

We appreciate your patience and support of Carbon Energy and we look forward to updating you on the progress made over the last quarter in more detail soon.

ENDS

For and on behalf of the Board



Morné Engelbrecht
Acting Chief Executive Officer

**For more information please contact Andrew Crook on +61 419 788 431
or refer to our website at www.carbonenergy.com.au**

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;
- 743PJ² of Certified 2P syngas reserves in southeast Queensland's Surat Basin; and,
- 910 Million tonnes³ of coal JORC Inferred Resource at its Bridger, Wyoming USA farm-in area.

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.

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.

³ See ASX/Media Announcement 23 January 2013. CNX is not aware of any new information that would materially affect the Resources stated.