



CarbonEnergy

Carbon Energy Limited
ABN 56 057 552 137

Registered Office:

Level 12, 301 Coronation Drive
Milton, Brisbane QLD 4064
Australia
PO Box 2118
Toowong Brisbane QLD 4066

Tel: +61 (07) 3337 9944

Fax: +61 (07) 3337 9945

www.carbonenergy.com.au

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ASX Announcement

ASX: CNX

Results Increase Energy Production Potential

Carbon Energy Limited (“CNX”) today announced results from its recent \$20m Bloodwood Creek Underground Coal Gasification (UCG) commercial trial. The 100 day trial completed at the end of January 2009 successfully demonstrated the Company’s capability to convert in-situ coal into significant quantities of UCG syngas (energy). Importantly, a large proportion of the energy produced (68%) is in the form of methane and ethane, the key components required in the production of synthetic natural gas.

Carbon Energy’s Managing Director, Andrew Dash said “We are extremely happy with these results as they exceeded our expectations. Confirmation of the gas composition results, and linking this to the recent resources upgrades, demonstrates that Carbon Energy now has the potential to become a major contributor to Queensland’s growing energy industry and a possible new entrant into the developing LNG industry and domestic gas industries.”

Recapping on Carbon Energy’s last announcement, Mr Dash commented that, “Our recent resource upgrade identified that of our 668 million tonnes of inferred and indicated coal resource, 364 million tonnes were in coal seams greater than 5 m thick, similar to those gasified during our trial. By extrapolating our results to date we predict that:

- 364 million tonnes is equivalent to **7,320 PJ of in-situ energy**,
- By applying Carbon Energy’s UCG syngas technology we can recover in excess of **4,245 PJ of energy as syngas**,
- Approximately **2,890 PJ (68%)** will be in the form of the key components of synthetic natural gas (methane and ethane).

Consequently, the magnitude of our energy resource gives us the potential to be a major contributor to Australia’s East Coast energy supply. By way of example, the energy we can recover, just from coal seams in excess of 5 metres is approximately equivalent to:

- 50% of Queensland’s current electricity demand for over 15 years, or,
- Brisbane’s entire current natural gas demand for over 60 years”.

Analysis of the coal quality testing and final data from the oxygen and steam UCG test at Bloodwood Creek has produced the following results:

- The average in-situ energy on an air dried basis is **20.11 GJ/tonne** of coal.
- The key energy components in the gas are:
 - Methane & Ethane (components of natural gas): 68%
 - Hydrogen & Carbon Monoxide: 32%

Cumulative Energy Produced During Continuous Oxygen and Steam Production Test

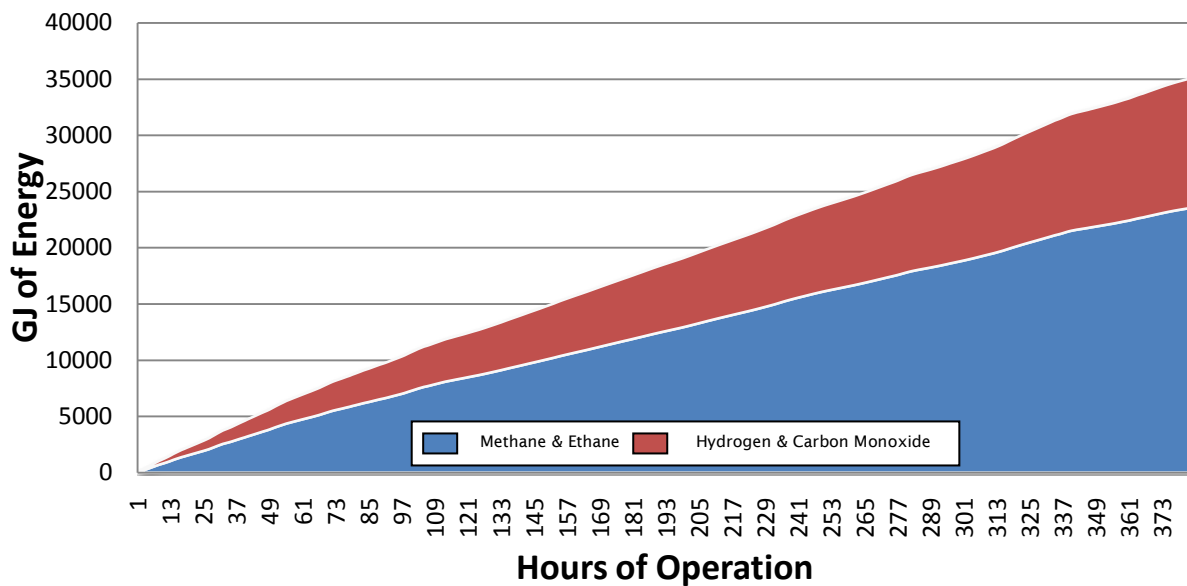


Table 1 Average Gas Energy Contribution

Gas	Energy (%)
Methane	58
Ethane	10
Carbon Monoxide	6
Hydrogen	26

This table does not include carbon dioxide or other inert gases that are present in the gas stream but do not contribute any energy content.

The addition of the resource contained in the seams from 2 metres to 5 metres (an additional 304 million tonnes), has the potential to add significantly to the energy recovery potential.

Carbon Energy is currently undergoing a third party certification process to independently verify these gas production numbers.

Carbon Energy's Managing Director, Andrew Dash commented that "In-line with our stated commercialisation strategy, we are currently in discussion with potential partners and customers, both in Queensland and nationally, regarding power generation and synthetic natural gas production projects."

For and on behalf of the Board



Andrew Dash
Managing Director

For Further information please contact:

Investors

Andrew Dash, Managing Director
Carbon Energy
Ph: 07 3337 9944

Media

Greg Flynn
Channel Financial Communication
Ph: 02 9221 0008

Competent Person Statement (Coal Resource as previously announced)

The information in this release that relates to resources is based on information compiled by Dr C.W. Mallett, Executive Director Carbon Energy Limited who is a member of the Australian Institute of Mining and Metallurgy. Dr Mallett has supervised and reviewed the estimation of coal resources prepared by Nicola Rich. Dr Mallett has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Dr Mallett consents to the inclusion in this release of the matters based on his information in the form and context in which it appears.

COMPANY PROFILE

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 production produces a low cost option for capturing CO₂ making it a leader in clean coal technology.

Carbon Energy's ambition is for syngas to become the preferred feedstock for producing clean coal power stations, and the production of synthetic natural gas, an alternative to oil-based fuel, agribusiness products (fertilisers & 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.