



CarbonEnergy

ASX Announcement

23rd December 2009

Australia`s first UCG syngas Power Station - Commissioning Update

Carbon Energy (ASX:CNX) is in the final stages of constructing its 5 MW power station which will be powered by syngas produced from its underground coal gasification (UCG) facility at Bloodwood Creek in Queensland. This is an Australian first for fuelling this type of power station with syngas.

Carbon Energy`s Managing Director, Mr Andrew Dash said, "I am pleased to report that we are on track and expect to be operational, with electricity flowing into the local grid, in January 2010."

The construction of the main power station facility is almost complete and the gas engines have been successfully tested on air. Heavy rain in the local area over recent days has slowed progress and this, combined with the start of the Christmas/New Year holiday period, has pushed testing of the engines on gas into the first few days of the New Year. The completion date for the project remains scheduled for the end of January 2010, with electricity flowing into the local grid around the same time.

In July this year, Carbon Energy signed an off-take agreement with Ergon Energy, a Queensland Government owned electricity provider, for electricity produced at this facility. The contract is worth approximately \$2 million per year and will represent the company`s first revenue from its UCG activities.

Mr Dash noted that "The 5MW plant is an important first phase project for Carbon Energy for two reasons; we are achieving an Australian first with the fuelling of this type of power station from UCG Syngas; and secondly the electricity produced and sold into the grid will represent the company`s first revenue from its UCG activities."

Carbon Energy is also well progressed with its Phase 2 project, the construction of a larger, 20 to 25 MW power plant, which will incorporate carbon capture and storage technology. Both these projects will position Carbon Energy at the forefront of the world-wide quest for low emission energy from coal ("Clean Coal").

For and on behalf of the Board

Andrew Dash, Managing Director

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October 2009 - Gas Engines being transported to Queensland



November 2009 – Construction of Gas Engine hall at Bloodwood Creek



December 2009 – Visit to Bloodwood Creek by Carbon Energy's Chilean partners

(L to R: Graham Barclay with Andres Jara and Arturo Albornoz, representatives from Antofagasta Minerals)

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 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 modeling capabilities.

Carbon Energy is building an international portfolio of coal assets, suitable for UCG with close proximity to markets.