

CarbonEnergy

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ASX Announcement

ASX: CNX

Coal Resource Upgrade

Carbon Energy Limited ("CNX") is pleased to announce a significant increase to its coal resources in Queensland following completion of its recent drilling program and analysis of the drilling data to establish a coal resource to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – JORC Code (2004 edition).

Carbon Energy's total resource at Bloodwood Creek has increased from 100 million tonnes to 296.9 million tonnes inferred resource, an increase of almost 200%. 144.9 million tonnes of this resource is in coal seams greater than 5m thick which are an optimal target for underground coal gasification.

This exceeds significantly the requirements of approximately 55Mt of in situ coal required to support a 1000 tonne per day ammonia plant at Bloodwood Creek, for 30 years.

For and on behalf of the Board

Andrew Dash
Managing Director

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COMPANY PROFILE

Carbon Energy is a growing energy company aiming to deliver low cost and environmentally sustainable syngas from coal.

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, 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.

JORC COMPLIANT RESOURCE UPGRADE – KOGAN AREA

INCREASE IN RESOURCE FROM 100.1Mt OF INFERRED RESOURCE TO 211.7Mt OF INDICATED AND 85.2MT OF INFERRED COAL RESOURCE

The coal resources in Carbon Energy's leases in the Kogan area (EPC867 and EPC869) suitable for UCG extraction have been increased following recent exploration and the adoption of industry standard Minescape (MINCOM) geological modelling resource calculation methodology. The exploration area lies in a NW-SE band about 50 km west of Dalby.

The resource calculated is based on 44 exploration holes drilled from 2007-2008 and 17 monitoring wells drilled in association with the Bloodwood Creek UCG demonstration trial in 2008 (see Figure 1 for drillhole locations).

All resources are within the Macalister Seam of the Juandah Coal Measures, the upper part of the Walloon Coal Measures. Regionally, coal deposits form thick laterally restricted pods which can exceed 500Mt, which are separated by areas of thin split seams. The Bloodwood Creek Area contains a significant deposit of this type. The analysis also indicated a potentially significant coal deposit at North Kogan, but as only two drill holes have data which can be used in the analysis, more drilling is required to test the scale of this deposit.

The Bloodwood Creek deposit has a JORC (2004) compliant Indicated and Inferred coal resource to which a 5m and 2m thickness cut-off has been applied as follows:-

| Location | Coal Seam Thickness | Indicated (Mt) | Inferred (Mt) | TOTAL (Mt) |
|------------------------|----------------------------|-----------------------|----------------------|-------------------|
| Bloodwood Creek | 2 | 211.7 | 85.2 | 296.9 |
| | 5 | 109.7 | 35.2 | 144.9 |

This is an increase over the previous resource assessment of 100.1 Mt, and is based on additional drilling and a new geological model of the coal deposit constructed in Minescape. The Minescape resource modelling uses polygons extending defined distances around data points (points of observation) and provides the basis for resource classification (see Figure 2 below).

Exploration is continuing with targets of:-

1. Additional drilling and evaluation of the current resource at Bloodwood Creek to the standard of a JORC (2004) compliant Measured and Indicated resource.
2. The extension of the current defined resource within MDL374 and EPC867 at Bloodwood Creek.
3. The completion of an initial JORC (2004) compliant resource in the Kogan North area.

Exploration Drillholes and Water Monitoring Bores Bloodwood Creek

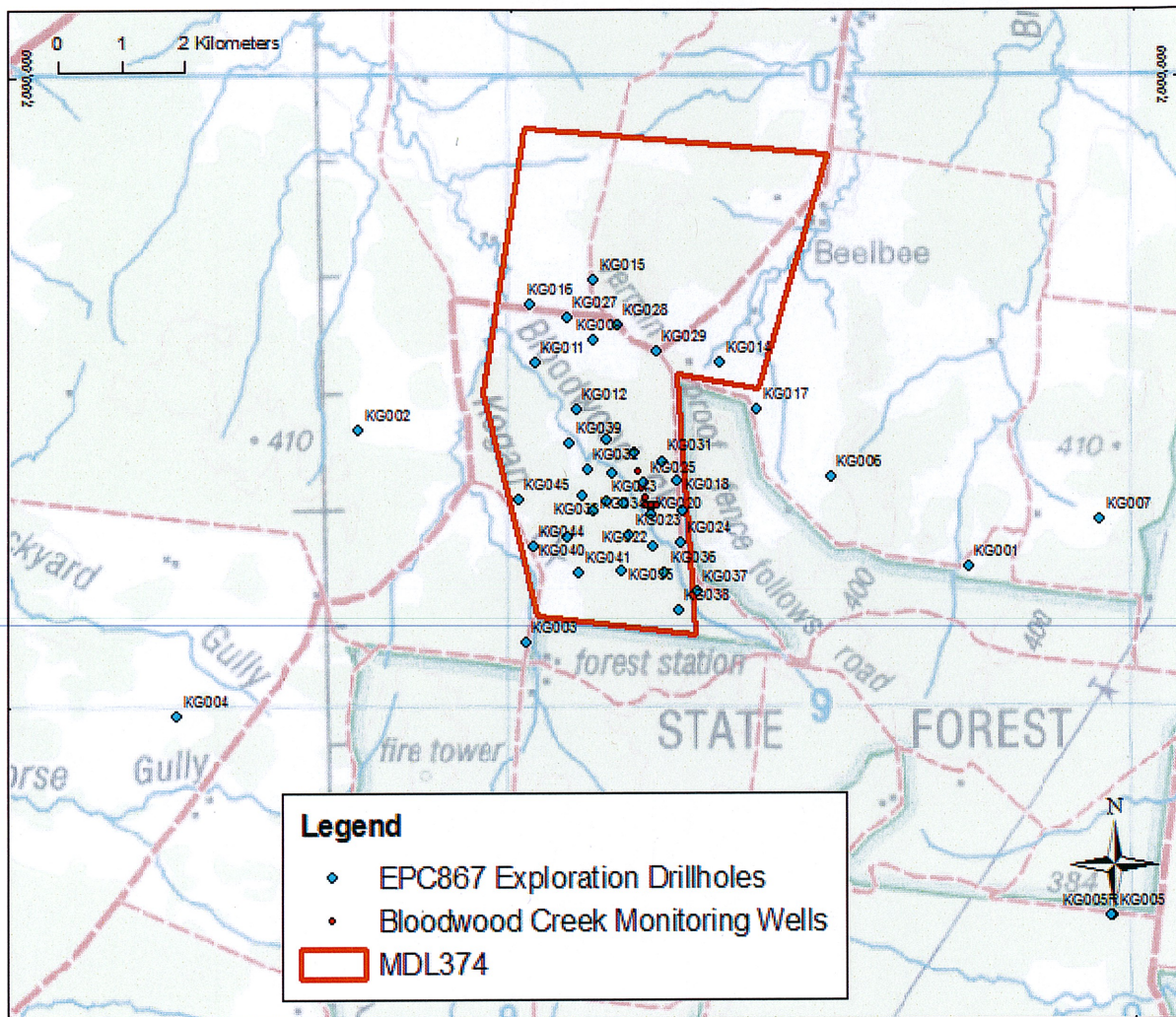


Figure 1 Drillhole Locations around the Bloodwood Creek area.

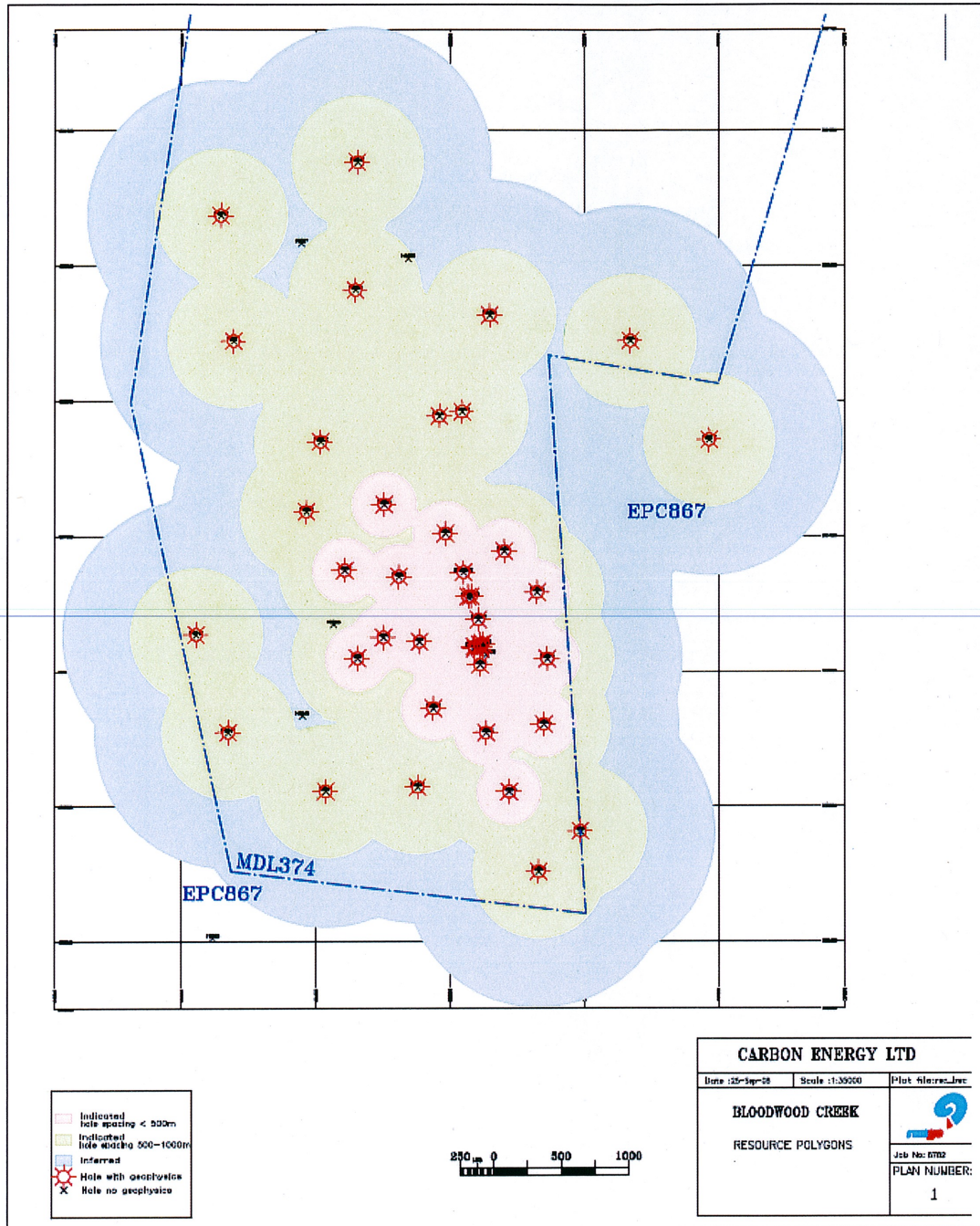


Figure 2. Resource Polygons used to report resource in the Bloodwood Creek area produced by M.Peterson of Runge Ltd.

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 Merryl Peterson, and is responsible for the report in total. 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.

The estimation of coal resources as presented in this release has been extracted from an internal Carbon Energy report prepared by Merryl Peterson, a qualified geologist employed by Runge Ltd. Merryl Peterson has more than 30 years experience in coal geology and over 20 years in resource evaluation. As a Member of the Australian Institute of Mining and Metallurgy she qualifies as a Competent Person as defined by the 2004 Edition of the "Australasian Code for Reporting of Exploration Resources, Mineral Resources and Ore Reserves". Merryl Peterson consents to the inclusion in this release of matters based on her information in the form and context in which it appears.