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19th March 2009 **ASX Announcement** **ASX: CNX**

Coal Resource Upgrade Exceeds Expectations

Carbon Energy Limited ("CNX") today released further results of its drilling programme which has been in progress at Bloodwood Creek and Kogan. The latest analysis of the drilling data confirms a much greater than expected increase (+125%) to its total resource which has risen from 296.9 million tonnes to 668 million tonnes (indicated and inferred). 364 million tonnes of this resource is in coal seams greater than 5m thick which are an optimal target for underground coal gasification.

In commenting on this latest Coal Resource upgrade, Managing Director Mr Andrew Dash noted that it has exceeded target resource expectations of 500 million tonnes announced last year. "This highlights the size of the opportunity that Carbon Energy now has to monetise this huge resource as it pursues its strategy to enter the national markets for power generation and synthetic natural gas production" said Mr Dash.

For additional information on the coal resource update please refer ***below***

For and on behalf of the Board

Andrew Dash
Managing Director

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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 CO_2 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.

JORC COMPLIANT RESOURCE UPGRADE
BLOODWOOD CREEK and KOGAN

The coal resources in Carbon Energy's leases in the Bloodwood Creek and Kogan areas (EPC867 and EPC869) suitable for UCG extraction have been increased following recent exploration (Table 1 and 2). The exploration area lies about 50 km west of Dalby.

Table 1 Coal Depths and Thicknesses of 2008-2009 new Exploration Drilling

Hole No.	Easting	Northing	RL	Macalister Upper (UPMA)			Macalister Middle (MIMA)			Macalister Lower (LOMA			Macalister Lower (LMAC)			
				Top	Base	Total Net Coal	Top	Base	Total Net Coal	Top	Base	Total Net Coal	Top	Base	Total Interval	Total Net Coal
KG086	281654.0	6994984.0	364.0	198.3	203.2	4.9	203.5	205.1	1.6	205.9	208.1	2.2	217.9	220.0	2.1	8.7
KG085	281359.0	6994549.0	368.0	197.0	202.0	5.0	202.0	204.4	2.4			0.0			0.0	7.4
KG061	288424.0	6995878.0	347.0	306.0	308.5	2.5	308.8	309.5	0.7	311.0	312.0	1.0	338.5	340.5	2.0	4.2
KG057a	288417.0	6994255.0	357.0	307.0	309.5	2.5	309.5	312.2	2.7	315.5	320.8	5.3	321.8	323.5	1.7	10.5
KG056	288530.0	6992837.0	371.0	293.5	296.8	3.3	309.7	311.6	1.9	313.0	314.0	1.0			0.0	6.2
KG060	286178.0	6994588.0	369.0	311.5	316.5	5.0	317.2	320.7	3.5	321.2	323.0	1.8			0.0	10.3
KG062	289526.0	6995068.0	373.0	273.0	276.0	3.0	303.1	307.6	4.5	312.6	315.2	2.6	339.0	340.0	1.0	10.1
KG084	281296.0	6995350.0	360.0	187.4	191.6	4.2	191.6	193.1	1.5	199.5	200.0	0.5	221.5	223.6	2.1	6.2
KG087	281861.0	6994592.0	376.0	214.5	219.0	4.5	219.0	223.2	4.2	223.5	226.0	2.5	237.2	238.5	1.3	11.2
KG090	280850.0	6993853.0	358.0	225.4	227.0	1.6	227.2	231.8	4.6	234.5	237.5	3.0	258.0	259.7	1.7	9.2
KG077	283947.0	6996908.0	359.0	142.6	143.8	1.2	144.0	146.7	2.7	173.0	174.0	1.0	190.5	191.5	1.0	4.9
KG088	282257.0	6994386.0	388.0	243.9	250.3	6.4	250.5	255.0	4.5	255.5	258.4	2.9	264.0	266.8	2.8	13.8
CH021	269403.0	7005750.0	340.0	321.0	322.4	1.4	322.6	327.4	4.8	345.6	347.8	2.2	350.0	352.4	2.4	8.4
CH026	267580.0	7006219.0	326.0	308.3	311.6	3.3	311.6	313.5	1.9	313.5	317.0	3.5	331.0	332.3	1.3	8.7
CH025	268720.0	7003572.0	337.0	365.5	366.7	1.2	371.2	374.8	3.6	393.0	395.7	2.7	411.0	413.5	2.5	7.5

Table 2 JORC Compliant Resource Upgrade

Location	Seam Thickness Cut-off	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Bloodwood Creek	2	218	280	498
	5	158	57	215
Kogan	2		170	170
	5		149	149
Total	2	218	450	**668**
	5	158	206	**364**

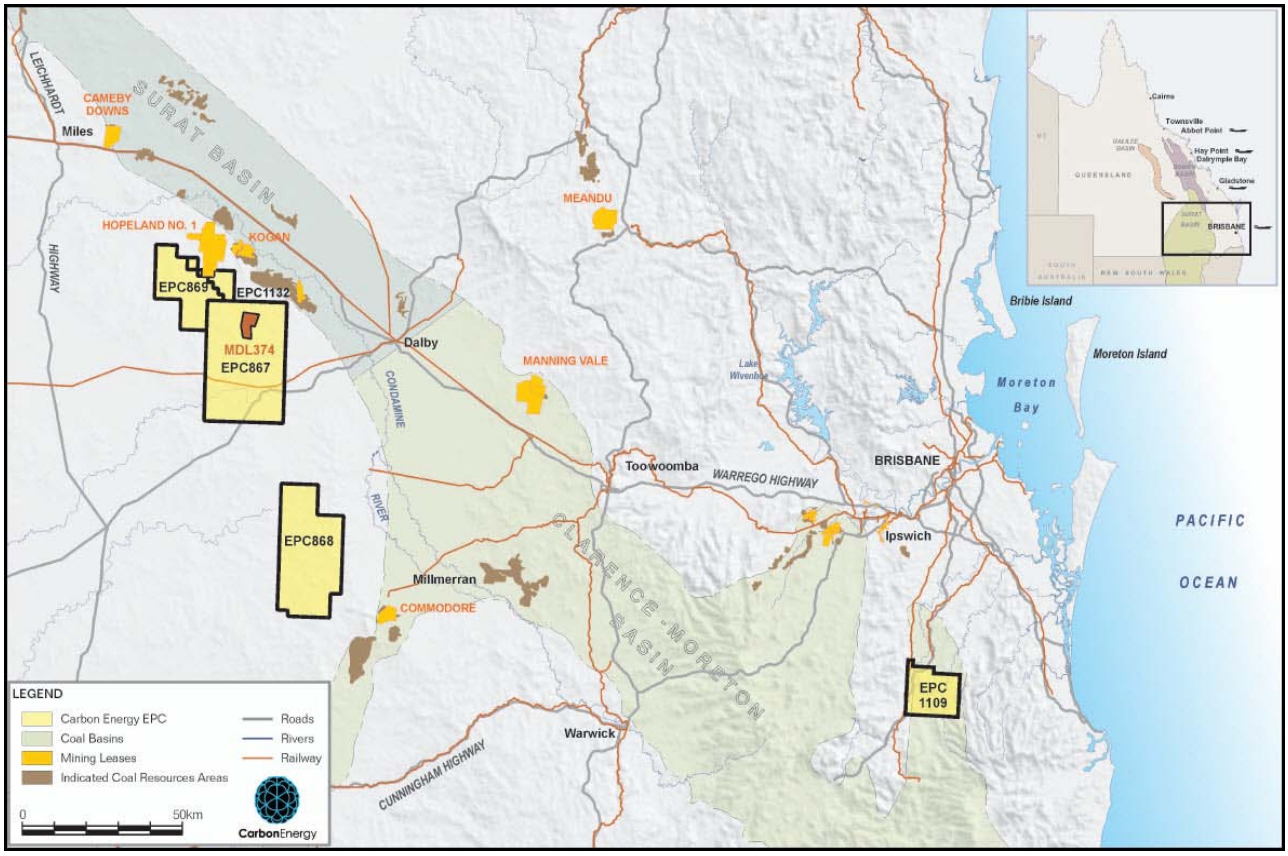

Figure 1 Location of Coal Exploration Tenements showing Bloodwood Creek within EPC867 and Kogan area within EPC869

The resource calculated is based on 78 exploration holes of which 75 were drilled by Carbon Energy from 2007-2009 (see Figure 2 for drillhole locations).

BLOODWOOD CREEK

Increase in Resource from **211.7Mt of Indicated** and **85.2Mt of Inferred** Coal Resource to **218Mt of Indicated** and **280Mt of Inferred** Resource.

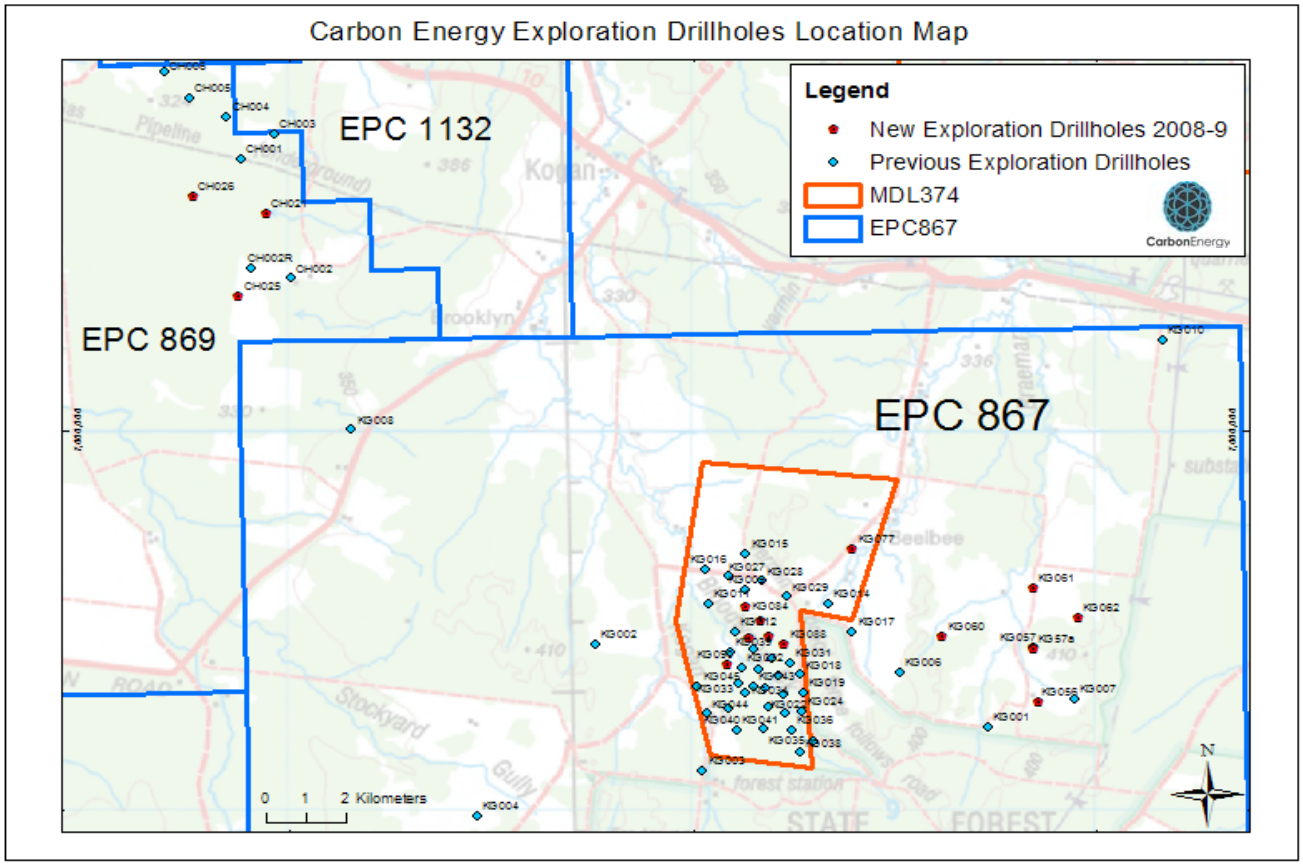

Figure 2 Drillhole Locations around the Bloodwood Creek and Kogan area

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 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	Seam Thickness Cut-off	Indicated (Mt)	Inferred (Mt)	TOTAL (Mt)
Bloodwood Creek	2	218	280	498
	5	158	57	215

This is an increase over the previous resource assessment of 201.4Mt, and is based on additional drilling within and to the east of the MDL374. The Minescape resource modelling uses polygons extending defined distances around data points (points of observation) and provides the basis for resource classification (see Figure 3).

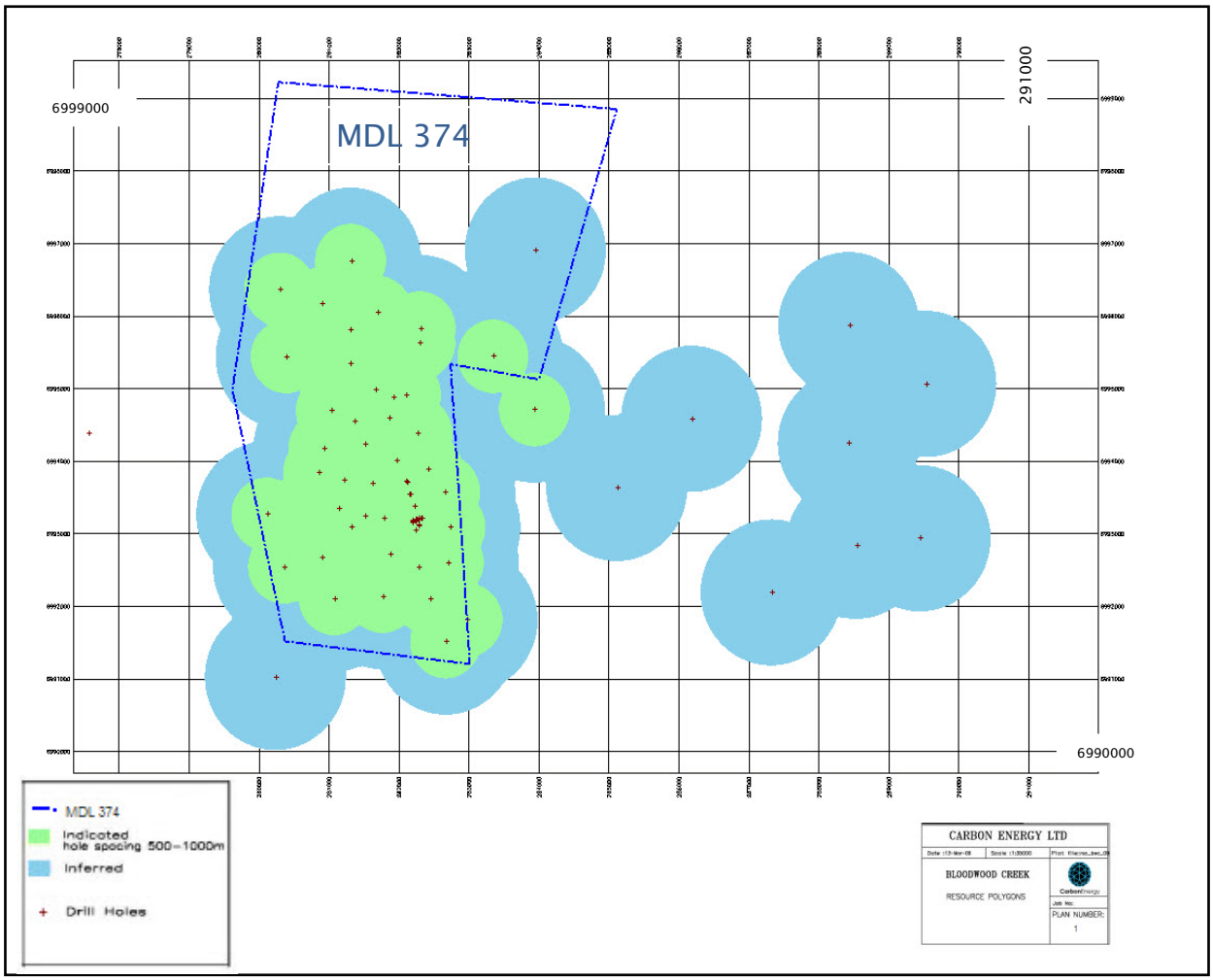

Figure 3 Resource Classification Polygons for the Bloodwood Creek Area.

KOGAN

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

Location	Seam Thickness Cut-off	Indicated (Mt)	Inferred (Mt)	TOTAL (Mt)
Kogan	2		170	170
	5		149	149

This is a newly reported resource assessment and is based on additional drilling within EPC869 about 8 km to the west of Kogan township. The Minescape resource modelling uses polygons extending defined distances around data points (points of observation) and provides the basis for resource classification (see Figure 4 below). Only drillholes with geophysics have been used.

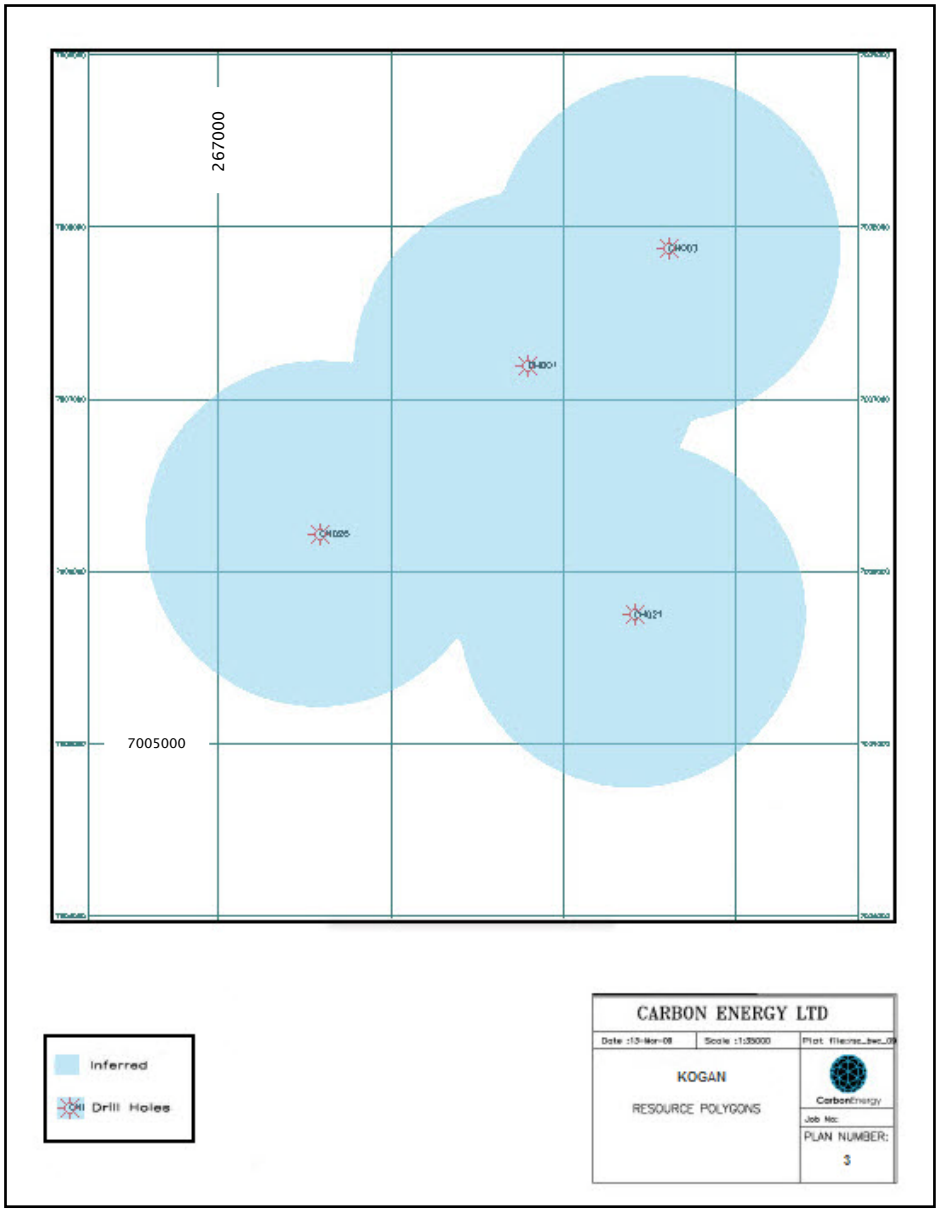

Figure 4 Resource Classification Polygons for the Kogan Area

Competent Person Statement

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, 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 volume and tonnes has been reviewed by JB Mining Services Pty Ltd using a VULCAN model. They concluded from analysis and modelling of the raw data that the Carbon Energy Geological model was structurally valid and gave a realistic estimate of coal volumes and tonnages.