



CarbonEnergy

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ASX Announcement

17 July 2009

Carbon Energy signs first commercial contract for power generated from UCG

Carbon Energy announced today the signing of its first commercial contract in Australia, related to energy generated from the Underground Coal Gasification (UCG) process. This represents a major step forward in Carbon Energy's commercialisation process as it demonstrates that syngas (produced via the UCG process) has the ability to become an important and viable alternative source for Australia's energy future.

Contract with Ergon Energy

Carbon Energy has signed a commercial off – take agreement with Ergon Energy, a Queensland Government owned electricity provider.

The contract is worth approximately \$2million per year and is for electricity produced at Carbon Energy's 5MW syngas-powered electricity production facility, currently being constructed at Bloodwood Creek in the Surat Basin.

The first electricity is expected to flow into the local grid by the end of this calendar year. The planned facility will generate enough power to supply approximately 4,000 homes per year.

Carbon Energy sees this contract as a major step forward in the company's commercialisation plans as it enables the company to monetise a very small part (0.5 PJ per annum) of its massive 7,750 PJ (syngas) recoverable energy.

The contract follows the success of Carbon Energy's world-first trial of the (UCG) technology developed in conjunction with Australia's CSIRO. "The establishment of the 5MW station is a major step towards full commercial production, said Managing Director Mr Andrew Dash. However, it's really only the first step. We intend to move forward quickly with plans for an additional 20MW power station at the Bloodwood Creek location in 2010. The 5MW we see as mainly a proof of concept for power generation, and the experience gained will assist with the planned 20MW expansion.

Carbon Energy will utilise its experience from the delivery of the planned 5MW and 20 MW stations in Queensland for future projects both in Australia and overseas in key markets such as India and the United States.

Carbon Capture and Storage

Carbon Energy is currently evaluating a number of alternatives for Carbon Capture and Storage and plans for the additional 20MW power station will allow the company to demonstrate Carbon Capture and potentially carbon storage (CCS).

The UCG process can reduce clean coal power generation costs by between approximately 30 % and 50% and deliver a more environmentally friendly method of power generation than the traditional coal fired plants currently in operation.

Mr Dash noted “the reason we have such a competitive advantage in this space is that clean or low emission coal technologies typically depend on digging coal out of the ground, transporting it ,then gasifying it above-ground prior to Carbon Capture. The UCG process eliminates the first 3 steps, including all the associated costs, because it already converts the coal into a gas underground.”

Carbon Energy expects to successfully conclude its discussions with potential Partners within the next few months. It is proposed that these Partners will provide both technology expertise and access to market opportunities. this together with positive support from Government (both State and Federal), offers the very real prospect that Carbon Energy will be among the first Australian companies to deliver a` Clean Coal Project` .

For and on behalf of the Board



Andrew Dash
Managing Director

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, an alternative to oil-based fuel, agribusiness products (fertilisers and 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.

About ERGON Energy

Ergon Energy is a Queensland Government owned corporation that operates the electricity distribution network in regional Queensland ,servicing an area over 1 million square kilometres, with more than 4,500 employees.

It has assets of more than \$7.5 billion and powerlines stretching over 150,000km supplying electricity to more than 650,000 residential and business customers.

For Further information please contact:

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CarbonEnergy

MEDIA RELEASE

17 July 2009

Carbon Energy signs first commercial contract with Queensland's Ergon Energy

Carbon Energy has signed a commercial off-take agreement with Queensland Government owned electricity provider Ergon Energy.

Carbon Energy sees this contract as a major step forward in the company's commercialisation plans for three reasons:

1. This is one of the first projects in Australia to generate revenue from the Underground Coal Gasification (UCG) process.
2. Carbon Energy demonstrates that syngas (produced via the UCG process) has the ability to become an important and viable alternative source for Australia's energy future.
3. This contract enables the company to monetise a very small part (0.5 PJ per annum) of Carbon Energy's massive 7,750 PJ (syngas) recoverable energy.

The contract, worth approximately \$2 million per year, is for electricity produced at Carbon Energy's 5MW syngas-powered electricity production facility currently being constructed at Bloodwood Creek in the Surat Basin.

The planned facility will generate enough power to supply approximately 4000 homes per annum with the first electricity expected to flow into the grid by the end of 2009.

The contract follows the success of Carbon Energy's world-first trial of the (UCG) technology developed in conjunction with Australia's CSIRO.

"This is an exciting time for Carbon Energy," said Managing Director Mr Andrew Dash.

"The establishment of the 5MW station is a major step towards full commercial production.

"However, it's really only the first step. We intend to move forward quickly with plans for an additional 20MW power station at the Bloodwood Creek location in 2010."



CarbonEnergy

"We see the 5MW as a proof of concept for power generation, and the experience gained will assist with the planned 20MW expansion.

"Importantly, our plans for the 20MW station will allow Carbon Energy to demonstrate Carbon Capture and potentially Carbon storage (CCS)."

Mr Dash explained that Carbon Energy is currently evaluating a number of alternatives for Carbon Capture and Storage.

"Clean or low emission coal technologies typically depend on digging coal out of the ground, transporting it, then gasifying it above-ground prior to Carbon Capture, so our major advantage is that as the UCG process already converts the coal into a gas, it eliminates the need for the first three steps," said Mr Dash.

"The result is that the UCG process can reduce clean coal production costs by between approximately 30-50% and deliver a more environmentally friendly method of power generation than the traditional coal fired plants currently in operation.

"Subject to successfully concluding our current partnering discussions and positive support from Government (both State and Federal), Carbon Energy could be among the first Australian companies to deliver a 'low emissions' Coal Project".

The completion of the 5 and 20 MW power facilities are key steps to the realisation of the companies vision for regional south east Queensland. The vision will see Carbon Energy and our partners build a large scale low emission power generation plant, plus a gas processing facility to produce synthetic natural gas and chemicals such as ammonia as well as transport fuels.

"From a Queensland point of view, our power generation project supports the State Government's aim of additional generation capacity being provided by the private sector. Additionally we will be creating jobs which will help the local economy."

Mr Dash said that Carbon Energy will utilise its experience from the delivery of the planned 5MW and 20 MW stations in Queensland for future projects both in Australia and overseas in key markets such as the United States.

ENDS

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FACT SHEET

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, an alternative to oil-based fuel, agribusiness products (fertilisers and 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.

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