



CarbonEnergy

ASX Announcement

8th December 2009

Carbon Energy's Maiden UCG Reserves Certification

- Carbon Energy obtains independent certification of its UCG syngas reserves;
- MHA Petroleum Consultants certify 2P reserves at approximately 744 PJ.

Carbon Energy Ltd (ASX :CNX) is pleased to announce that it has received an independent reserve statement from MHA Petroleum Consultants (MHA) confirming the large energy potential from the Company's Underground Coal Gasification (UCG) Syngas Reserves located in two of its tenements, EPC867 and EPC869, in the Surat Basin in south-eastern Queensland.

In accordance with Society of Petroleum Engineers (SPE) guidelines, the reserves in these properties are:

AREA	CATEGORY	GROSS GAS VOLUMES(PJ)
Bloodwood Creek EPC 867 (including MDL 374)	1P Reserve (Proven)	11.0
	2P Reserve (Proven + Probable)	743.9
	3P Reserve (Proven + Probable + Possible)	1,042.8

The reserve estimates used in this document were compiled by Mr Timothy Hower of MHA Petroleum Consultants, Colorado, USA, a qualified person under ASX Listing Rule 5.11. Mr Hower has consented to the use of the reserve information contained within this document in the form and context in which it appears.

Additional contingent resources (2C) of **1,927.7 PJ** have also been identified in both Bloodwood Creek and Kogan areas.

The 2P reserves identified by MHA are centered on the southern half of Carbon Energy's MDL 374 and are contained within an area which is approximately 20% of the MDL. Consequently, there is significant potential to add to these reserves within the MDL through additional exploration drilling.

Previous Carbon Energy announcements have estimated reserves using the Joint Ore Reserves Committee (JORC) code. The MHA report is based on the SPE guidelines rather than the JORC code because the SPE protocol reflects the measurement of available syngas volumes rather than coal reserves. MHA's assessment of 1P, 2P and 3P reserves is based on coal seam thicknesses of 5 metres and greater and the assessment of 2C contingent reserves is based on coal seam thicknesses of 2 metres and greater.

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The SPE guidelines provide greater clarity about CNX's potential to market UCG syngas nationally and more accurately represent the end use of the resource. SPE is a world-recognised standard and the Colorado-based petroleum consultants, MHA, are highly respected for their work in this field. They have worked on projects in almost every petroleum province throughout the world including the evaluation of CSG reserves in Australia for around seventeen companies including major Australian listed companies.

Carbon Energy can increase its reserves under the SPE guidelines through further exploration drilling centered on areas of known JORC resource and ongoing UCG production development.

"This is an important step in the development of a national UCG market as it is the first time that UCG syngas volumes have had independent third party certification under the SPE guidelines anywhere in the world", commented Carbon Energy Managing Director Andrew Dash.

"This is our first reserves statement of this kind that clearly establishes us as a major energy player and we are confident that we can add significantly to this over time through further exploration of our tenements and the establishment of major commercial contracts." Mr Dash said.

Carbon Energy is in the final stages of constructing a 5 MW power station which will be powered by syngas from its underground coal gasification operation on site. Plans are well underway to build an additional 20-25 MW power station on the same site.

The Company also has plans for the establishment of a major energy and industrial hub to be located adjacent to its Bloodwood Creek site, near Dalby in regional South East QLD. The 2P resource identified to date would be sufficient to operate all three of the following projects for over 15 years:

- A 300 MW base load power station, and
- A world scale ammonia plant, and
- A 20 PJ p.a synthetic natural gas plant.

There is significant scope to increase the resource based within MDL 374 and to support Carbon Energy's ambition to develop a major energy and industrial hub in regional Queensland.

These major developments will be subject to Carbon Energy obtaining a Mining Lease and associated approvals from the Queensland Government including a satisfactory outcome from the technical and environmental review of UCG as outlined in the Queensland Government's announced UCG Policy. Carbon Energy has submitted its Mining Lease application and is actively working with the relevant Government departments to progress the approvals and review process. It is anticipated that these processes will be completed no earlier than December 2010 at which time Carbon Energy will be in the final stages of completing its financial assessment with its commercial partners.

Carbon Energy's reserves certification is another major milestone in the establishment of UCG syngas as a major new energy source for Queensland and Australia.

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 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.