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ASX Announcement

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Environmental Approval Obtained for UCG Project in Chile

Carbon Energy is pleased to announce that its partner in Chile, Antofagasta Minerals ("Antofagasta"), has obtained Environmental Approval for the first stage of the parties' joint Underground Coal Gasification ("UCG") project in Chile.

In December 2009 Carbon Energy announced an Agreement with Antofagasta, one of the world's largest copper producing companies, to jointly assess and develop an UCG project at Mulpun, Chile, to support the countries growing energy demand. Carbon Energy will earn a 30% interest in Antofagasta's coal tenements by applying its world leading UCG technology.

The Environmental Approval obtained this week is a key milestone in the development of the project and allows the parties to construct and operate a pilot scheme that includes its first UCG panel and associated above ground facilities at Mulpun.

The intention of the pilot is to confirm the quality of the gas produced from the Mulpun coal deposit so that detailed design work and equipment selection can be carried out for a major power generation project at that site.

The parties have together completed a significant program of work since executing agreements in December 2009 including the following:

- Obtaining Environmental Approval for the trial,
- Entering into option agreements to acquire the land associated with the Mulpun coal deposit,
- Completing a detailed work plan and budget for the initial trial project, and
- Completion of a market study and economic feasibility study for a number of commercial uses for syngas, including power generation.

The next steps in the project are to complete the Design Plan and conduct Front End Engineering & Design (FEED). Upon acceptance of the FEED study by both parties a formal joint venture will be formed.

Carbon Energy's Managing Director, Andrew Dash said "This is an important milestone for the project as this is the key regulatory approval required to proceed with our first international UCG project with our partner Antofagasta."

"Chile provides an ideal market opportunity for Carbon Energy due to the fact that energy demand is forecast to grow at 6% to 7% annually over the next decade and there is an under supply of domestic energy. Chile is highly exposed to increases in the already high price of imported supplies of diesel, natural gas, LNG and coal."

"We are very excited to have obtained the Environmental Approval for the project. Our primary focus is now moving to the successful construction and operation of the first UCG panel, in parallel we will be commissioning studies into the optimal size and equipment selection for our first major power project in Chile" Mr. Dash said.

For and on behalf of the Board

A handwritten signature in black ink, appearing to read 'Andrew Dash', written in a cursive style.

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, 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.

About Antofagasta

Antofagasta Minerals S.A. is a wholly owned subsidiary of Antofagasta plc, which is listed on the London Stock Exchange and is a constituent of the FTSE-100 index, with interests in mining, transport and water distribution. Its Chilean mining operations, which comprise Los Pelambres, El Tesoro and Michilla, produced 442,500 tonnes of copper in concentrate and cathode and 7,800 tonnes of molybdenum in concentrate in 2009. Antofagasta has recently commissioned a brown-field expansion at Los Pelambres and a new mine development in Chile, Esperanza, is expected to enter into production at the end of 2010. Together these are expected to increase total Group copper production to nearly 700,000 tonnes per year from 2011. Antofagasta Minerals also has exploration or feasibility programmes in America, Asia, Africa and Europe. It also has a joint venture with Empresa Nacional del Petroleo, the Chilean state-owned oil company, to explore and develop geothermal energy opportunities in Chile.

About the Energy Market in Chile

Chilean energy demand is forecast to grow at 6-7 per cent annually over the next decade but is faced with a continuing energy crisis due to its limited supply of domestic energy together with a lack of natural gas from its neighbour Argentina. As a result Chile is making significant investment in renewable energy (hydro and wind), coal and LNG projects. Coal is Australia's largest export to Chile with demand expected to grow significantly over the next five years due to the increased energy demands in both the commercial and residential sectors.

Australian companies are already significant investors in Chile, and its relatively open business environment has made it an ideal base for Australian companies looking to expand into Latin America. There are approximately 120 Australian companies actively trading with Chile. More than half of the Australian or Australian affiliated companies with offices in Chile are related to the mining industry. ABS figures show that in 2008, total Australian investment in Chile was \$2 billion. Significant Australian private sector investors include BHP Billiton (mining) and Pacific Hydro (power generation).