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Carbon Energy Limited

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ASX Announcement

16 September 2011

Carbon Energy delivers an innovation in Underground Coal Gasification process

Carbon Energy Limited (ASX:CNX) (OTCQX:CNXAY) today announced it has successfully achieved an Underground Coal Gasification (UCG) process innovation by automating its Controlled Retractable Injection Point (CRIP) using its proprietary technology developed in Queensland.

The innovation, achieved at the Company's project site at Bloodwood Creek near Dalby, uses Carbon Energy's proprietary *keyseam* technology, and enables continuous retraction of the CRIP process underground, as the coal resource is consumed, to deliver a continuous supply of consistent quality gas. The process innovation is an important development in UCG which typically relies on manual intervention which can make gas flow and quality levels inconsistent and intermittent.

Carbon Energy's Managing Director, Andrew Dash said, "Our successful achievement of continuously retracting the injection point along our underground coal panel proves another milestone for the commercialisation of our processes. While continuous CRIP has been part of our design from the start of our project, confirmation of this in our early commercial production trials is a breakthrough for the UCG industry, eliminating the previous method of manual intervention."

Last month the Company recorded an Australian first in producing electricity from syngas using the Company's proprietary *keyseam* technology developed in Queensland.

Work continues to progress with the connection to the Ergon Energy local area network planned for the end of October. As part of this process, progress also continues with the Queensland Department of Environment and Resource Management (DERM) on amendments to the Company's existing environmental approvals to ramp up production to 5MW of electricity. The application for approval is being progressed in parallel to the connection of the power station to the local grid.

ENDS

For and on behalf of the Board



Andrew Dash
Managing Director



About Carbon Energy

Carbon Energy is a world leader in advanced coal technology. Our business is transforming stranded coal resources into high-value fuels with lower carbon emissions to meet the increasing global demand for new, low cost, alternative energy sources.

Carbon Energy is headquartered in Brisbane, Australia and listed on the Australian Securities Exchange (ASX). The Company also has an office in New York and is quoted on the OTCQX International.

The Company's proprietary technology, keyseam® is an innovation in underground coal gasification (UCG), incorporating a unique site selection methodology and advanced geological and hydrological modelling. Keyseam maximises resource efficiency, extracting up to 20 times more energy from the same resource than coal seam gas (coal bed methane), whilst minimising surface disturbance and preserving groundwater quality.

Carbon Energy's technological advantage comes from its association with Australia's premier research agency, CSIRO, which includes world-class geotechnical, hydrological and gasification modelling capabilities.

Carbon Energy is building an international portfolio of coal assets suitable for keyseam and accessible to high-value markets. The Company has resources and rights to coal assets in projects across Australia, Chile, United States and Turkey.