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ASX Announcement

10 August 2011

Carbon Energy achieves an Australian first in power generation

Carbon Energy Limited (ASX: CNX) today announced an 'Australian first' in achieving electricity generation using syngas produced through its unique process of Underground Coal Gasification (UCG).

The Company has achieved this Australian first at its UCG syngas power plant at Bloodwood Creek in Queensland.

Carbon Energy Managing Director Andrew Dash said this achievement represents a major step forward for the Company as its moves closer to its first revenue milestone – connection to Ergon Energy's local electricity grid, expected in October this year.

"The facility confirms Carbon Energy as a world leader in UCG technology development and expertise that delivers lower emissions energy from coal," he said.

Mr Dash said this landmark achievement brought cleaner, low-cost energy closer to commercial reality and builds on the 10-year UCG technology research previously conducted in conjunction with the CSIRO.

"The generation of electricity from syngas further demonstrates the value of UCG in delivering a viable method of power generation, which is more environmentally friendly than traditional coal-fired power plants," he said.

"Importantly, as demand for low-cost, cleaner energy continues to grow in Australia and around the world, our capabilities to produce base-load electricity from otherwise stranded coal resources will be valued more significantly by the market."

Over the past weeks, Carbon Energy has been focused on successfully testing its gas engines under load. Electricity is currently being produced at the maximum rate allowable under current approvals, with up to of 1 MW of electricity being generated and transmitted into a load bank, located at site. This replicates continuous supply of electricity into the grid and confirms the use of syngas for sustainable electricity generation.

Testing of each of the three engines in turn will continue over the coming weeks ready for connection to Ergon Energy's local area network in October.

Work also continues to progress 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. These approvals are being progressed in parallel to the connection of the power station to the local grid.



Mr Dash said Carbon Energy had recently announced expansion projects in the United States, Chile, and Turkey, but the Bloodwood Creek project was the first step in the Company's plans to generate electricity for the domestic market.

"UCG power generation creates a much lower environmental impact than many other coal and gas extraction methods. It can also generate more energy from the same resource space and monetises otherwise stranded coal resources for more efficient utilisation of the resource," he said.

For and behalf of the Board



Andrew Dash
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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 criteria for site selection and advanced geological modelling. It also maximises resource efficiency, extracting 20 times more energy than coal seam gas, whilst minimising surface disturbance and preserving groundwater quality.

Carbon Energy's keyseam® 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.

