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ASX/Media Announcement

10 September 2012

15% Increase in JORC Inferred Coal Resource to 1.36 Billion Tonnes

Carbon Energy (ASX:CNX OTCQX:CNXAY) today announced a 15% increase in its JORC Inferred Coal Resource to 1.36 billion tonnes in its wholly-owned Surat Basin tenements.

The upgrade to 1.36 billion tonnes builds on the 1.2 billion tonnes Resource announced in July 2012 and is based on data from an additional 91 bore holes that recently became available on public file.

This statement continues the modelling of existing Carbon Energy and public file drill-hole information by independent third party mining professional services company, Moultrie Group.

The newly defined resource relates to tonnage increases at EPC 867 (excluding MDL 374), EPC 869 and EPC 1132, in the Macalister Seam formation (see Appendix A for Coal Tenure Location Map).

There is also significant potential for further definition of resources in other Walloon Coal Measure seams in these same leases.

In addition the resource potential of EPC 868 will be assessed within the next two months.

In accordance with Joint Ore Reserves Committee (JORC) guidelines, the reported Inferred Coal Resources in the Company's Surat Basin tenures are:

Tenure	Formation	Inferred Resource (Mt)
EPC867 ¹	Macalister Seam	986.2
EPC869	Macalister Seam	228.9
EPC1132	Macalister Seam	151.5
Total:		1,366.6
MDL374 ²	Macalister Seam	294.9

¹ EPC867 excludes resources contained within MDL374

² MDL374 resource also comprise the Companies 743PJ of certified 2P Syngas Reserve

Notes on Resources:

1. Coal seams not intruded or not outside the tenure boundaries;
2. Coal thicknesses <0.3m excluded;
3. The depth range of calculation was from the base of weathering to 500m below natural topography;
4. Coal seams <50% adb from coal quality or estimated from downhole density logs (in g/cc) excluded from the calculations;
5. A discount factor varying from 13-15% has been subtracted from the initial calculation for unexpected geological losses. This accounts for unexpected conditions such as seam thinning, splitting, or seams missing in barren zones around faults.
6. The mine planning package used was Minex and seam structure and thickness contours were generated using standard modelling algorithms and methodologies. Inferred masks were generated with 3,200m between Points of Observation; and
7. Points of observation were defined as those boreholes that had known surveyed positions, detailed lithological logs and coverage of the target coal seams with a suite of downhole geophysical logs that must include density in units of Kg/m³.

Coal quality within Carbon Energy's Resources is expected to be consistent with the published coal qualities of the Macalister Seam at the Wilkie Creek and Kogan operating coal mines. These mines produce an export thermal coal product of around 11% Ash, 9% moisture and Gross Calorific Value of 6,200 kCal/kg.

Commenting on the result, Mr Justin Haines, General Manager Technical Services said "The Resource Assessment demonstrates an outstanding JORC Resource of high quality, laterally continuous and thick within these Walloon Coal seams. They appear suitable for development of high productivity, low-cost conventional longwall operations. The potential for multiple level mining of other Walloon Coal Seams also provides significant project upside."

Concept Study – Preliminary Results

Carbon Energy is currently progressing a Concept Study to define potential mining projects within the Resource and/or Exploration Target areas. Work to date has identified:

1. Sufficient resources to support several underground mining operations at depths of 180-300m;
2. Development areas are free from strategic cropping land impacts and outside town restriction boundaries;
3. Development areas that is free of significant environmentally sensitive habitats and preservation areas;
4. Land tenure is predominantly freehold; and
5. A coal marketing study has confirmed potential sale as export quality thermal coal (subject to coal quality and washability tests being consistent with neighbouring mines) and identified current and potential customers of coal consistent with that contained in Carbon Energy's leases.

Next Steps

1. Finalise initial mine planning;
2. Complete infrastructure assessment including port and rail capacity; and
3. Commercial assessment of the identified project areas.

A targeted exploration program will be conducted following completion of the concept study, and is anticipated to be completed by the end of the December 2012 quarter. Managing Director for Carbon Energy, Andrew Dash, said today's announcement was great news for the Company.

"Our coal Resource continues to grow. The preliminary results of the concept study are positive having identified mining targets which are free of strategic cropping and town planning restriction, " Mr Dash said. "We are on track to establish a substantial portfolio of high value thermal coal mining opportunities by the end of the year."

The full Moultrie Resource Report is available on our website:
www.carbonenergy.com.au/presentations

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For and on behalf of the Board



Andrew Dash
Managing Director

Competent Person's Statement

The estimates of the Coal Resources presented in this Report are considered to be a true reflection of the Coal Resources as at 10 September 2012 and have been carried out in accordance with the principles and guidelines of the Australian Code for Reporting of Coal Resources and Coal Reserves published in September 2004 (JORC Code).

The information in this release is based on information compiled by Mr Mark Biggs who is an employee of Moultrie Database & Geology and is a member of the Australian Institute of Mining and Metallurgy. Mr Biggs has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Biggs consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

About Carbon Energy Ltd.

Carbon Energy is a world leader in advanced coal technology. The Company's 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.

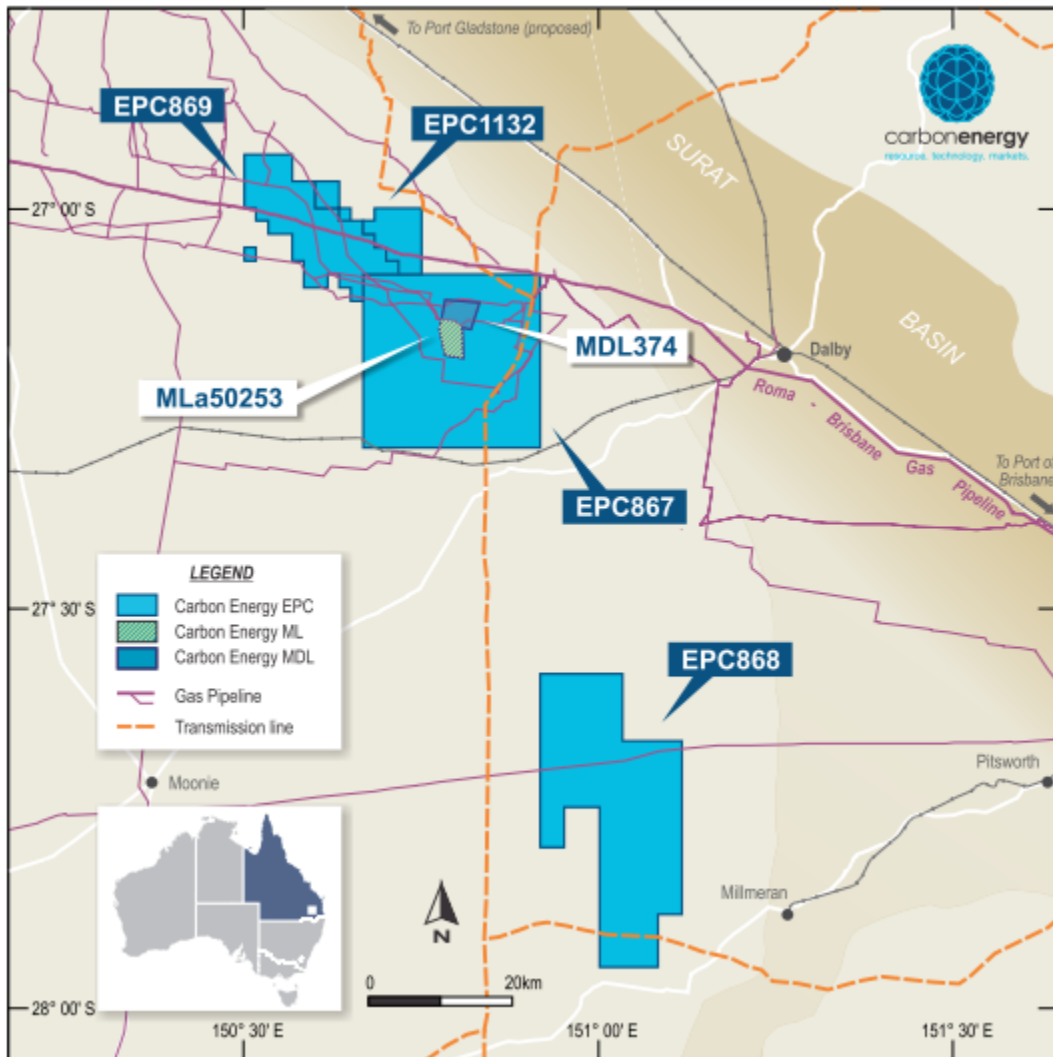
Carbon Energy is headquartered in Brisbane, Australia and listed on the Australian Securities Exchange (ASX). The Company also has an office in New York and is quoted on OTCQX International (CNXAY).

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® maximizes resource efficiency, extracting up to 20 times more energy from the same resource than coal seam gas, while minimizing 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.

Appendix A – Coal Tenure Location Map



Appendix B – Cross Section of the Upper Walloon Seams (Juandah Coal Measures)

