



carbonenergy

resource. technology. markets.

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ASX/Media Announcement

29 March 2012

Carbon Energy's strategic direction confirmed

Announcement 2 of 4

Carbon Energy (ASX:CNX, OTCQX:CNXAY) has proven its world leading UCG technology with over 12 months continuous production of consistent high quality syngas, the reliable generation of electricity and commercialisation by export into the local grid, from its Bloodwood Creek project site near Dalby in south west Queensland.

Achievement of the proof of concept has led the company to undertake a strategic review to maximise the Company's technological achievements. The review has defined plans for global expansion as well as assessing the optimisation of assets and financing options needed to best fund the Company's plans for growth.

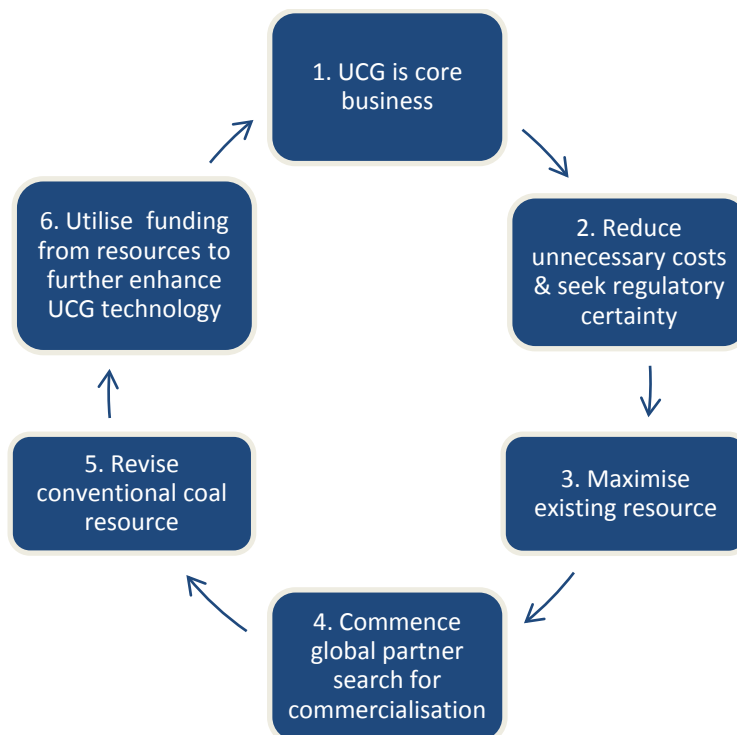
The outcomes of the review have confirmed Carbon Energy's strategic direction, which is to position the Company as the world leading UCG technology partner. The Company will actively pursue commercial scale projects with coal owners and energy end users (including electricity, chemicals and liquids) both in Australia and off shore in addition to our current projects in Chile, North America and Europe.

In addition, the Company plans to build a strong financial base for the future development of its UCG technology business by maximising the value of its two significant resources in Queensland:

- **Syngas:** 743 PJ of 2P Reserves of syngas at Bloodwood Creek (see Appendix A). The Company will work with the new Queensland Government to obtain the required approvals to develop a commercial scale project on the Bloodwood Creek site. Until such time as commercial agreement is reached with a partner and regulatory certainty is achieved, costs at the project site will be reduced.

- Coal:** 1,400km² of thermal coal leases surrounding Bloodwood Creek. Carbon Energy will convert its substantial coal tenements into a conventional coal resource through a program of exploration drilling, and a scoping and feasibility study over the next 12 months. The Company will then evaluate options to gain maximum value from the resource over the following 12-18 months to fund its share of development of the Company's world leading UCG technology. The Company has previously reported 668 Mt JORC* Indicated and Inferred Resources (218Mt Indicated and 450Mt Inferred at a 2m cut-off) within just 52 km²; this includes the MDL area. Carbon Energy has engaged a third party resource consultant to independently assess the additional coal resources contained in its leases.

In summary Carbon Energy's core UCG Business developed and supported through the following key elements.



Managing Director, Andrew Dash said the defining of the new strategic direction was extremely positive for the business. "We have proven our keyseam technology works and are more committed than ever to commercially applying our UCG technology. We are best placed to do this by partnering with coal resource owners and energy users," Mr Dash said.

“In addition to a significant gas reserve we also have extensive thermal coal resources available on our existing properties, which have the potential to add substantial value to the business and provide the basis to create a funding model for the ongoing development of our world leading keyseam technology,” he said.

Progress updates on the development of the Surat Basin Coal resources and the search for global partners will be provided in the coming months.

ENDS

For and on behalf of the Board



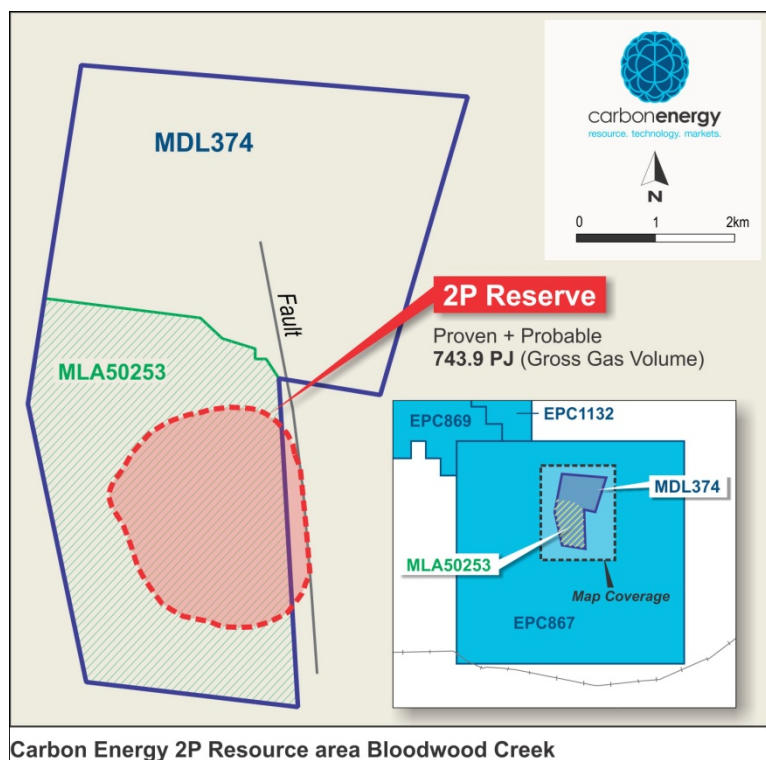
Andrew Dash
Managing Director

For more information please contact Andrew Crook on +61 419 788 431 or refer to our website at www.carbonenergy.com.au

*Note *: The information above that relates to resources is based on information supplied by Dr C.W. Mallett, Technical Director Carbon Energy Limited who is a member of the Australian Institute of Mining and Metallurgy. Dr Mallett has sufficient experience which is relevant to the style of mineralisation 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 Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.” Dr Mallett consents to the inclusion in the release of the matters based on his information in the form and content which it appears.*

Appendix A

Carbon Energy has a certified 2P resource of 743 PJ of syngas within its existing UCG licensed area (MDL 374). In energy terms, this is equivalent to Brisbane's entire gas supply for over 15 years.



Details of the Coal resource:

- MDL374 is 29 km² tenure;
- Current tenure allows for demonstration of multiple UCG panels and the production of up to 30MW of electricity; and
- Application for a Mining Lease (which allows full commercial production) has been submitted over approximately half of the MDL area.

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

Area	Category	Gross Gas Volume (PJ)
Bloodwood Creek EPC 867 (including MDL 374)	1P Reserve (Proven)	11.0
	2P Reserves (Proven + Probable)	743.9
	3P Reserves (Proven + Probable + Possible)	1,042.8

The reserves 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 which it appears.

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, 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 and the United States.