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Carbon Energy Limited

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ASX Announcement/Media release

10 February 2012

Carbon Energy delivers Australian first in commercial power production

Carbon Energy Limited (ASX: CNX) (OTCQX: CNXAY) has become the first Australian company to export power generated by syngas into a commercial electricity grid from its underground coal gasification (UCG) plant at Bloodwood Creek, near Dalby, Queensland.

The Company announced today that it has successfully conducted testing for the export of electricity to Ergon Energy Corporation Ltd's local electricity grid, within the current allowable limit of 1.5 MW.

Carbon Energy has pioneered the process of generating electricity using synthetic gas – also known as syngas - produced through its proprietary UCG technology at its Bloodwood Creek site.

It has now become the first Australian company to complete a commercial agreement for the sale of energy produced by UCG syngas in Australia.

Carbon Energy Managing Director Andrew Dash said the achievement positioned the Company as one of the leading innovators of UCG in the world.

"The Company continues to take significant strides as a world leader in UCG technology-development and expertise for delivering lower emissions energy from coal," Mr Dash said.

"Today represents a further step in the process that has the capacity to deliver cheaper and greener energy to Queenslanders," he said.

The energy produced at Bloodwood Creek will be plugged back into the grid to support local communities and can be sold at prices not linked to high-priced, global pricing.

The continued successful operation of UCG technology at Bloodwood Creek has now achieved 10 months of sustained syngas production, delivering consistent, high-quality gas, since its initiation in March 2011.



“This is exciting as we have achieved what we set out to do. Being able to commercially produce power from our UCG technology with lower environmental impact is great news for Queenslanders,” Mr Dash said.

Carbon Energy has pioneered the innovation of this technology here in South-East Queensland and is currently fielding enquiries about its technology from around the globe.

ENDS

For and on behalf of the Board



Andrew Dash
Managing Director

For more information please call Andrew Crook 0419 788 431.

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.