

**CarbonEnergy**

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**28 November 2008**

**ASX Announcement**

**ASX: CNX**

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**CARBON ENERGY UCG TRIAL UPDATE**

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Carbon Energy (ASX:CNX) has entered the fourth week of its 100 day commercial scale Underground Coal Gasification (UCG) trial at Bloodwood Creek in the Surat Basin and is pleased to announce that all requisite performance benchmarks are being met. The trial at Bloodwood Creek is attracting national and international attention with business and government delegations representing interest from India, Japan and Europe visiting the site within the past two weeks.

“CNX is in the final stages of an air trial and this has confirmed that the site can produce syngas suitable for power generation. The next stage will move onto a steam trial and, after which, a combination of oxygen and steam will be used to produce a hydrogen-rich syngas suitable for use as a high value chemical feedstock. The transition to oxygen and steam is expected to occur as early as next week.”

The A\$20 million UCG syngas trial, which is being undertaken at Bloodwood Creek, near Dalby in the Surat Basin, is designed to demonstrate the sustainability and consistency of its commercial scale UCG syngas production before moving to development of one or more potential commercial scale production options.

The trial is being undertaken on granted MDL374 and is not dependent on any decision by the Queensland Government in relation to the issue of overlapping tenements. “There has been a great deal of discussion in the press recently, initiated by some aggressive lobbying by international giant British Gas, that UCG will be locked out of the Queensland market in order to accede to demands by CSG players for so-called certainty.” said Mr Andrew Dash, Chief Operating Officer at CNX.

In recent weeks, the Queensland Government has reiterated its stance that it does not plan to “pick winners” in regards to the Coal Seam Gas (CSG) and UCG industries. Mines and Energy Minister Geoff Wilson has been quoted as saying: “We want to develop a policy position that is in the best interests of all stakeholders.”

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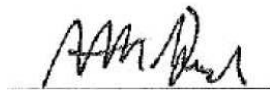
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Carbon Energy's intention, once the current UCG trial is successfully completed is to pursue the feasibility of constructing, in partnership with existing business partners, a \$1 billion ammonia plant and a separate \$1 - 2 billion manufacturing facility near the Surat Basin site. These developments would be in addition to the LNG plans as proposed by the major gas companies. "The Queensland Government is very aware of the significant potential these developments bring to communities in rural Queensland and the importance of UCG in making these projects happen" said Mr Dash.

"Our focus to date has been on ensuring that Queensland business and consumers are in a position to take advantage of the lower priced more environmentally friendly energy products that our technology can offer. However, as an organisation, we also have a clear national and international commercialisation strategy that we will continue to pursue and execute."

**For and on behalf of the Board**



**Andrew Dash**  
**Chief Operating Officer**

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**COMPANY PROFILE**

Carbon Energy's purpose is to produce clean energy and chemicals feedstock from Underground Coal Gasification (UCG) syngas.

Carbon Energy's unique approach to UCG and syngas production produces a low cost option for capturing CO<sub>2</sub>, making it a leader in clean coal technology.

Carbon Energy's ambition is for syngas to become the preferred feedstock for producing clean coal power stations, an alternative to oil-based fuel, agribusiness products (fertilisers & explosives), polyolefin products (such as plastics) and allowing for economic carbon capture.

Carbon Energy's technological advantage comes from its association with CSIRO including world class geotechnical, hydrological and gasification modelling capabilities.

Located at the hub of the Surat Basin's energy infrastructure, Carbon Energy's energy resources are perfectly positioned to provide the basis for future energy, industrial and agricultural chemicals, and liquid fuels for export and to the growing local industrial hub.