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# ASX Announcement

2 May 2011

## Successful Introduction of UCG Syngas to Power Station

Carbon Energy Limited (ASX: CNX) is pleased to advise that testing of its 5 MW Power Station has commenced with the successful introduction of syngas to the first gas engine.

Following successful operation of Underground Coal Gasification (UCG) Panel 2 over the past 4 weeks the gas quality has been stabilised with the heating value of the syngas at the top end of the Company's modeled range.

Syngas from Panel 2 was introduced to the first of three gas engines at the end of last week. The engine successfully completed its start up procedure and operated in a stable state and was fuelled only by syngas during this testing phase. Testing will now continue to tune the engine management system for optimal operation on syngas and test all electrical connections from this engine's generator to its termination points. Testing will then be conducted on the remaining 2 engines in sequence.

Andrew Dash, the Company's Managing Director said "This is an important step in the development for Australia's first UCG syngas power station. We have been very pleased with the operation of Panel 2 to date and starting the first engine on our UCG syngas is a key milestone in proving the commercial application of syngas. While there is more work to do, we look forward to completing the testing and progressing to the full commissioning of the plant and exporting electricity to the local grid".

Further amendments to the Company's environmental conditions are required to move from the testing phase, to ramp-up syngas production and then fully commission the 5 MW power station to deliver electricity to the grid. These amendments are currently being progressed with the Queensland Department of Environment & Resource Management (DERM).

Further project updates will be provided over the coming months as other key milestones are achieved.

For and on behalf of the Board



Andrew Dash  
Managing Director





## About Carbon Energy

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

The Company's unique approach to UCG and syngas production increases the efficiency of capturing carbon dioxide making it a leader in clean coal technology.

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

Carbon Energy is building an international portfolio of coal assets suitable for UCG and accessible to high-value markets.

