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Carbon Energy Limited
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Carbon Energy (Operations) Pty Ltd
ABN 61 105 176 967

ASX Announcement

9 December 2010

Carbon Energy Successfully Completes \$20 Million Capital Raising

Carbon Energy Limited (ASX: CNX) is pleased to announce that it has successfully completed a share placement of approximately 61 million ordinary shares at \$0.33 to raise \$20 million, before costs.

Strong interest both domestically and internationally from institutional and sophisticated investors has resulted in the issue being oversubscribed.

Major shareholder Pacific Road Resources Fund 1 (PRRF) has corner-stoned the issue by agreeing to take approximately \$10 million of the placement (30,303,030 shares), elevating its shareholding in the Company to approximately 9%. Major shareholder Incitec Pivot Limited also participated in the placement to maintain its shareholding in the Company above 10%.

The placement has been conducted by Southern Cross Equities and will be progressed under the 15% placement capacity of the Company. Placement shares will rank *pari passu* with existing fully paid ordinary shares. It is anticipated that Funds raised by the placement to institutional and sophisticated shareholders will be received within 7 days and placement shares will be issued at that time. Funds from PRRF are on a deferred settlement basis and will be received within 30 days, with shares to be issued following receipt of those funds.

Funds to Advance Australian and Chilean Projects

The funds raised will be utilised to complete the Company's 5MW Power Station and associated facilities at Bloodwood Creek near Dalby in Queensland, and commence ignition of UCG Panel 2, with electricity generation expected to commence in the first quarter of 2011, subject to State Government approvals being received.

Additionally, these funds will enable the completion of surface facilities for Underground Coal Gasification (UCG) Panel 3. When commissioned in 2011 Panel 3 will enable Carbon Energy to demonstrate the operation of a multiple panel production facility required for future large scale power generation developments.





The Company will also undertake several other activities to advance its Queensland projects, these being; a prefeasibility study into the production of high value products such as Ammonia and Synthetic Natural Gas, applications and approvals required for Carbon Energy's Blue Gum Energy Park and exploration activities.

In addition to the activities the Company is progressing in Queensland, funds will be allocated to Carbon Energy's project in Mulpun Chile which is being undertaken in conjunction with the Company's partner, Antofagasta Minerals. Drilling and construction of the first UCG Panel in Chile is due to commence early 2011, as is the contract for Front End Engineering & Design (FEED) for the above ground operational facilities.

Chile is recognised as providing an ideal market opportunity for Carbon Energy given that Chile's energy demand is forecast to grow at 6% to 7% annually over the next decade further aggravating the current under-supply of domestic energy. Chile is highly exposed to increases in the already high price of imported supplies of diesel, natural gas, LNG and coal.

Funds will also be allocated for market development initiatives in North America and Europe.

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.

Carbon Energy's unique approach to UCG and syngas production produces a low cost option for capturing carbon dioxide making it a leader in clean coal technology.

Carbon Energy's ambition is for syngas to become the preferred feedstock for fuelling clean coal power stations, and the production of synthetic natural gas, 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 modeling capabilities.

Carbon Energy is building an international portfolio of coal assets, suitable for UCG with close proximity to markets.

