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ASX Announcement

9 December 2010

Concept Study Completed – Ammonia & Synthetic Natural Gas

Carbon Energy is pleased to advise that it its recent Concept Study into the production of alternative downstream products from UCG syngas has confirmed the opportunity for the production of ammonia and synthetic natural gas.

The study was commissioned in conjunction with Incitec Pivot Limited and conducted by internationally recognised consultants, Ammonia Casale.

The study looked at three different potential downstream manufacturing scenarios that use syngas (produced by Carbon Energy's underground coal gasification technology), as the primary feedstock;

1. manufacture of ammonia in pre-defined commercial quantities,
2. manufacture of ammonia combined with a 300 MW power plant,
3. the production of synthetic natural gas (pipeline quality gas).

The study concluded that UCG syngas has the potential to reduce the capital costs of producing ammonia and that pipeline quality gas (synthetic natural gas) can be produced at market competitive rates.

Carbon Energy's Managing Director Mr Andrew Dash commented:

"Our medium term commercial strategy has always been to utilise our gas for the manufacture of high value products such as ammonia and chemicals, and the findings from the Casale study are the first step in the Company's progression towards this goal. The study considered these production processes as standalone operations so we believe economic advantages may be possible by co-locating these operations and taking advantage of operational synergies.

Over the past few years there has been significant expansion within the Gasification Industry (both above-ground and underground coal gasification) in the United States and China which is contributing to more streamlined manufacturing options and more commercially attractive opportunities for the use of syngas. The detailed findings, whilst confidential at this point in time, are positive.

It is encouraging to note that Ammonia Casale's study suggests that syngas can be readily processed into pipeline quality gas, which means that energy produced by UCG syngas can then be transported to key market locations via existing infrastructure.

Carbon Energy believes that this finding will result in UCG syngas being part of the solution to domestic energy security in Queensland and Australia.

Carbon Energy's vision is to locate power production facilities with compatible manufacturing facilities at our Blue Gum Energy Park, adjacent to our current Bloodwood Creek site in Queensland. Once constructed, these facilities will create permanent jobs and value adding industry in regional Queensland.

Carbon Energy's technology is transportable and can be deployed to suitable coal deposits in attractive markets around the world. The study's findings will support our current market entry activities in both the US and Europe".

The Company will provide further updates regarding the outcome of future findings into the production of alternative products from syngas as they come to hand.

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.