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ASX Announcement

1st June 2011

Chile Update – Completion of Phase 1

Carbon Energy Limited (CNX) is pleased to announce that the Company's joint project with Mulpun Energy, a subsidiary of Antofagasta Minerals S.A., has reached a major development milestone with sign off by both parties following the achievement of key Phase 1 deliverables. The project will now move forward with the formalisation of the Joint Venture Company.

Key Phase 1 Deliverables Achieved

- Design plan, work plan and budget development.
- Hydrological Model development.
- Site selection for the UCG Trial.
- Land acquisition.
- Environmental Approval for the UCG Trial.
- Preliminary market study for the commercial application of UCG syngas for the production of power and natural gas.

Carbon Energy's Managing Director Mr Andrew Dash commented, "This is a significant achievement for both Carbon Energy and Mulpun Energy and I am very pleased with the progress of the project to date. We are obviously keen to push on with Phase 2 which will focus on the design of the above ground plant, construction and operation of the trial project which is expected to be operational early next year.

I have now been to Chile on a number of occasions and I am continually impressed by the market and project development opportunity for Carbon Energy, as energy demand is forecast to grow at 6-7% per annum over the next 5 to 10 years compounded by a supply shortage of domestically sourced energy. Chile is highly exposed to increases in the already high price of imported diesel, natural gas, LNG and coal.





Carbon Energy Representatives will be heading to Chile within the next two weeks for meetings with Antofagasta Senior Management and part of the discussions will be focused on the acceleration of a commercial scale energy project based on UCG syngas.”

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 Limited, developer of Australia’s first syngas fuelled power station, is focused on producing cleaner energy and chemical feedstock from Underground Coal Gasification (UCG) syngas.

The Company’s unique approach to UCG and syngas production increases the efficiency of capturing carbon emissions 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.

