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ASX Announcement

4 April 2011

Carbon Energy - Successful Commissioning of UCG Panel 2 Progressing

Carbon Energy Limited (ASX: CNX) are pleased to advise that the Company has successfully commissioned syngas production to the main flare from its Underground Coal Gasification (UCG) Panel 2 at the Company's Bloodwood Creek facility, located in the Surat Basin, south east Queensland.

Following successful initiation of UCG Panel 2 last week, commissioning activities have continued with the horizontal injection well and horizontal product well now on-line with syngas being produced to the main flare (see attached photo). The new process water facility is also on-line and operational.

Andrew Dash, Managing Director of Carbon Energy said, "Panel 2 is now operating in its design configuration with both the injection well and product well in operation. This provides the optimal conditions for gasification. Commissioning will now continue to establish stable operation and consistent gas flow."

"Operation of the panel in this configuration along with the newly completed process water facility will provide optimal operational control and effective environmental management in conjunction with regular monitoring of the network of water monitoring wells installed on site. This is another great result for the operational team and it is particularly pleasing to see the main flare in operation once more." Mr Dash said.

Commissioning of Panel 2 will continue to establish a consistent gas flow and quality. This is anticipated to be completed over the next 3 weeks. Once this is achieved, the syngas will then be introduced to the Company's 5 MW power station, which will enable the commencement of testing and commissioning of the gas engines.

Further project updates will be provided over the coming months as 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.



Queensland, Bloodwood Creek main flair for UCG Panel 2, April 2nd 2011

