



CarbonEnergy

Level 12, 301 Coronation Drive,
Milton QLD 4064 Australia
PO Box 2118, Toowong DC
QLD 4066 Australia
phone +61 (0) 7 3337 9944
fax +61 (0) 7 3337 9945
www.carbonenergy.com.au

Carbon Energy Limited
ABN 56 057 552 137
Carbon Energy (Operations) Pty Ltd
ABN 61 105 176 967

ASX Announcement

22 October 2009

Carbon Energy Sells Shareholding in Magma Metals

On 21 October Carbon Energy completed the sale of its 6.1% shareholding in Magma Metals Limited (MMB) realising \$6.5 million in cash. The funds will be used to accelerate a number of commercialisation opportunities associated with the development of its Underground Coal Gasification (UCG) projects in Australia and internationally.

Magma Metals is an exploration company focused on precious and base metals in Canada and Australia. It listed on the ASX in June 2006 and Carbon Energy (known at that time as Metex Resources, ticker MEE) took a stake of 10 million shares which it has held since that date.

The sale completes Carbon Energy's programme of divesting non-core assets and is consistent with its strategy to focus on becoming an energy company utilising its expertise in UCG. Over the past three months Carbon Energy has announced:

- The sale of its West Australian Gold interest to Crescent Gold Limited (August 2009)
- Its intention to proceed with an IPO of its uranium interests (announced August 2009, listing planned for late 2009)
- The divestment of its shareholding in MMB (October 2009)

To date \$9m has been raised from the divestment programme, with the IPO of its uranium assets scheduled to be complete by the end of the year.

Andrew Dash, Carbon Energy's Managing Director, said "This divestment is consistent with our strategy to dispose of our non-core assets so we can focus all of our resources and attention on becoming a significant player in the energy industry in Australia and overseas. The additional funds will provide us with some flexibility to fast track additional commercial opportunities that we have been working on both here in Australia and overseas for the past few months".

Project Update – 5 MW Power Station at Bloodwood Creek

Construction of Carbon Energy's 5 MW power station at its Bloodwood Creek site, near Kogan in South East Queensland, is on budget and proceeding according to schedule.

- Site works have commenced and foundations for the plant room have been laid
- The power station and control room have been decommissioned from their current location in Sunshine Victoria and have been prepared for transport.
- Some ancillary equipment has been delivered to site and is awaiting installation

Mr Dash commented that "Progress to date has been pleasing and the project is on track for commissioning in the later part of this calendar year. The engines are anticipated to be transported to site within the next four weeks and we will provide further project updates at that time."

"We look forward to providing electricity into the local grid and generating our first revenue in the coming months."



Andrew Dash
Managing Director

For Further information please contact:

Andrew Dash, Managing Director
Carbon Energy
Ph: 07 3337 9944

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 CO₂ making it a leader in clean coal technology.

Carbon Energy's ambition is for syngas to become the preferred feedstock for producing clean coal power stations, an alternative to oil-based fuel, agribusiness products (fertilisers and 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 modelling capabilities.

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