



CarbonEnergy

Power station construction on track

- > 5MW power station construction due for completion by end of December
- > Queensland Government representative to officiate at Bloodwood Creek event
- > Plans for the next phase – a 20MW facility incorporating CCS – are underway



Managing Director's List



Managing Director
Andrew Dash

"In July we commenced the construction of our 5MW power plant, which we aim to have up and operational prior to the end of December, with electricity following into the local grid by January next year.

We set ourselves an extremely ambitious target of six months (July-December) to disassemble the generating equipment from its Victorian location, build the new foundations at our Queensland site, transport the equipment, reassemble, test and commission, ready to connect to the local electricity network.

The power station, when commissioned, will be fuelled by gas produced from our Underground Coal Gasification (UCG) panel constructed last year and it's important to recognise that this will be the first power facility of its type in Australia.

I am pleased to say we are currently on track and I have outlined the major construction milestones below.

Due to the flurry of activity in July, getting the 5MW project up and running, we did not have the opportunity to do any type of official launch function, so this is now planned for 19th November. I am pleased to say that the Honourable Michael Choi Parliamentary Secretary to the Minister for Natural Resources, Water & Energy will be officiating at our Mid Construction Launch.

Whilst the 5MW plant is an important first phase project for Carbon Energy, we are already well progressed with our Phase 2 project, an additional 20-25 MW power plant, which will incorporate carbon capture and storage technology. Front-end engineering and design (FEED) is now underway with the initial report due in December.

This is an exciting project as it will position Carbon Energy at the forefront of the world-wide quest for low emission energy from coal.

As you can see it's been a busy few months and I look forward to keeping you updated on our progress."

Regards
Andrew



Foundations being laid

Construction Update

Construction of Australia's first power station fuelled by UCG syngas is progressing at a rapid pace and the major milestones are as follows:

- Last week of October – foundations laid.
- Week of November 2nd – all equipment (except engines) arrives on site.
- Week of 9th – 4 x 38 tonne engines arrive and are located on site.
- Week of 16th – commencement of Control Room and engine shed build.
- Week of 7th December – testing commences.
- Week of 14th to 28th – commissioning of the power plant and HV Assets.



Engine ready for shipping to QLD

Power Station – interesting facts

- There are four of GEC Alsthom Ruston RK 270 GS spark ignition lean burn, low emission engines, each capable of generating 1.73MW.
- Each engine weighs 38 tonnes.
- The power generated allows for 5MW to be exported and the balance of energy will power the Bloodwood Creek site. This results in a reduction of the cost of diesel currently being used to power the site.
- Station will be connected to the local grid via approximately 18km of line.



Equipment ready for delivery

Power for the local electricity grid

In July 2009, we announced that we had signed an off-take agreement for the 5MW power station (currently under construction) with Queensland Government owned Ergon Energy.

Electricity generated from the power station will be provided directly to the local grid and will be sufficient to power approximately 4000 homes.

The deal is worth \$2 million per annum to Carbon Energy with the 5MW power station the first phase in Carbon Energy's plan for UCG to become an important and viable low-emissions energy source for Australia's energy future.



The future in a carbon constrained world

The 5MW power station is now under construction and plans for Phase 2, an additional 20-25MW facility, in which we plan to incorporate carbon capture and storage technologies, is underway.

To facilitate the carbon storage, Carbon Energy signed an agreement in July 2009 with Queensland company ZeroGen. Planning for this project is expected to be finalised by the end of 2009, with electricity generation likely to commence in the first half of 2011.

We continue to work towards the development of a 150 to 300MW UCG plant and the establishment of Blue Gum Energy Park. The vision is for the Blue Gum facility to utilise syngas from UCG at Bloodwood Creek to produce low-cost, low-emissions electricity, ammonia, synthetic natural gas and chemical processing facilities.