



CarbonEnergy

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ASX Announcement

23rd August 2010

BLOODWOOD CREEK ENVIRONMENTAL UPDATE

Carbon Energy (ASX:CNX) advises that on 20 August 2010 the Company submitted an Environmental Evaluation of its Bloodwood Creek Site as requested by Queensland Department of Environment and Resource Management (DERM), as indicated in the ASX announcement 22nd July 2010.

The Evaluation relates to a spill of process water in July 2009, which was immediately cleaned up, but, not reported to DERM in the prescribed time frame.

The Environmental Evaluation was conducted by McCollum Environmental Management Services Pty Ltd, who has reviewed, amongst other things;

- Data from comprehensive and regular testing of surface water quality, groundwater quality, soil and sediment ;
- The adequacy of the existing monitoring programs for the site;
- Practices and measures at the site to prevent the release of contaminants to land, groundwater or surface water, and
- The adequacy of the incident response procedures, including but not limited to contingency, clean up and notification procedures.

Carbon Energy is confident that the evaluation confirms that the Company's environmental practices and performance are sound.

The Company has implemented measures to enhance its reporting protocols and has made procedural changes to ensure that no future lapses in timely reporting occur.

The Company continues to engage regularly with DERM who have independently undertaken ground water and soil testing, both at Carbon Energy's site and the adjacent area including Kogan Creek. In a recent media release DERM Director General John Bradley said "The results of water quality tests from Kogan Creek near Carbon Energy's Underground Coal Gasification plant near Dalby has not detected any contamination which could cause a risk to humans, plants or animal."

The Company has consistently maintained that there are no surface water emissions from its operations that could impact local waterways and the comprehensive analysis conducted to date bears this out.

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 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, 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.