



CarbonEnergy

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ASX Announcement

24 August 2010

Legal Proceedings Commenced Against Power Station Contractor

Carbon Energy (ASX: CNX) advises that it has today commenced proceedings in the Supreme Court of Queensland against Alexware Consulting Pty Ltd trading as Pangea Partners International ("Pangea") and Mr John Wedgwood, a former Carbon Energy employee. Pangea was the contractor originally engaged to build and commission Carbon Energy's 5 MW power station.

This legal action by Carbon Energy is in relation to serious irregularities in the performance of the contract and accordingly, Carbon Energy will be seeking damages from the parties named above.

Carbon Energy has suspended the contract with Pangea and has exercised its right to step in and complete any work it deems appropriate by way of variation to the contract. The legal proceedings will not affect the revised timetable for completion of the project. The damages being sought are not material to the ongoing funding of the Company's activities.

As this matter is now before the Court, the Company does not propose to make any further public comments at this stage.

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 modelling capabilities.

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