



**CarbonEnergy**

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**ASX Announcement**

16<sup>th</sup> July 2010

**ENVIRONMENT EVALUATION REQUEST**

**Brisbane, July 16, 2010** Carbon Energy Limited (ASX :CNX) advised today that the Company will continue to work with the Queensland Department of Environment and Resource Management (DERM) and cooperate fully with any request for an Environmental Evaluation of its Bloodwood Creek (near Dalby) Underground Coal Gasification (UCG) trial plant.

DERM has indicated that it may make such a request as a 'precautionary measure' in light of its concerns in relation to Cougar Energy that uses its own alternative UCG technology.

Carbon Energy has complete confidence in the CSIRO-researched technology used at Bloodwood Creek and in particular in the integrity of the environmental systems and processes used at the plant. Carbon Energy is in constant contact with Officers from DERM, who have visited our site on a regular basis.

Carbon Energy undertakes rigorous testing of ground water on a continuous basis and follows strict environmental guidelines, as required by all extractive mining process. The Company has 20 watering monitoring wells within a square kilometre of our production area and are in regular contact with Department representatives who visited our site as recently as last week.

Carbon Energy released an interim report, endorsed by an independent third party (over 200 pages) to Government within the last year covering all aspects of our commercial trial, including matters relating to the protection of the environment and in particular the integrity of the water table.

We wish to clarify the Department's comment that "Carbon Energy failed to report a discharge of contaminated water from their plant to a nearby creek in November 2009". There was a small amount of process water runoff into a dry creek bed which was immediately cleaned up by our team on site. A report was compiled but not lodged within the correct time period. The water released was surface water and was in no way connected to the water table.

The company will continue to work cooperatively with the appropriate authorities as it continues to build its energy business in Queensland

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 CO<sub>2</sub> 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.