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ASX Announcement

24 December 2010

Bloodwood Creek Environmental Update

Carbon Energy Limited (ASX: CNX) advises that discussions on amended environmental conditions for its Bloodwood Creek site in Queensland with the Queensland Government Department of Environment and Resource Management (DERM) are progressing.

DERM advised last night that some amendments require consultation with internal experts and as such they are not in a position to finalise the amendments prior to Christmas. However, DERM has advised that it will continue to work towards the statutory due dates for these decisions in January 2011.

It is anticipated that once the revised environmental conditions are finalised a notice will be issued to Carbon Energy enabling the Company to proceed with the initiation of UCG Panel 2 to enable commencement of syngas production.

The Company continues to work proactively with DERM in an effort to expedite this process to ensure that UCG Panel 2 can be commissioned as soon as practicable

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 carbon dioxide making it a leader in clean coal technology.

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.

