



ASX Announcement

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Bloodwood Creek – Operations Update

Carbon Energy Limited (ASX: CNX) (OTCOX: CNXAY) today announced that excellent progress continues to be made with its Underground Coal Gasification (UCG) project at Bloodwood Creek, near Dalby in Queensland.

The second UCG Panel was initiated in March 2011 and has now achieved over 4 months of continuous syngas production.

The Company has made significant progress towards achieving an Australian first in power generation from its advanced coal technology that produces syngas from in situ coal to produce electricity for supply to the local electricity grid.

Carbon Energy Managing Director Andrew Dash said, "We continued to produce syngas consistently from Panel 2 during the month and have successfully completed testing of power station load circuits to the load bank as planned. Each of the three gas engines has now been successfully run up to 500 kW of load (approximately 30% of engine capacity). We are on track to produce electricity at full rates from each engine into the load bank late in August."

"We are now much closer to generating low cost, cleaner energy to add to the local Dalby community power grid," he said.

Carbon Energy continues to progress amendments to the Company's existing environmental approvals to ramp-up production to 5MW. These approvals are being progressed with the Queensland Department of Environment and Resource Management in parallel to the construction of the connection from the power station to the local grid. Grid connection is anticipated to be achieved in October.

Mr Dash also said the Company's recent announcements regarding expansion of the business through projects in the United States, Chile, and Turkey will all benefit from the progress and experience gained at Bloodwood Creek.

Carbon Energy's underground coal gasification (UCG) technology, **keyseam**[®], has been developed following 10 years of research by Australia's leading scientific research agency CSIRO to minimise environmental impact whilst being able to extract 20 times more usable energy than production of Coal Seam Gas from the equivalent coal resource. In addition, the Company's **keyseam**[®] technology does not impact on regional groundwater quality and does not require large volumes of groundwater to be pumped to the surface and disposed of which is the case for Coal Seam Gas operations.

For and behalf of the Board



Andrew Dash
Managing Director



About Carbon Energy

Carbon Energy specialises in the production of cleaner energy and chemicals feedstock from its Underground Coal Gasification (UCG) syngas. The Company's proprietary **keyseam**® technology and unique approach to UCG and syngas production increases the efficiency of capturing carbon dioxide making it a leader in clean coal technology.

The technological advantage of **keyseam**® comes from Carbon Energy's association with Australia's premier scientific research agency, CSIRO, which includes exclusive access to world-class geotechnical, hydrological and gasification modelling capabilities.

Carbon Energy is building a targeted international portfolio of coal assets suitable for UCG and accessible to high-value markets. The Company has a global agreement with Incitec Pivot Ltd (Dyno Nobel) for potential ammonia applications from syngas production and has projects under development on four continents:

- In Australia, the Company has a power development agreement with Arcadia Energy Trading, subsidiary of Arcadia Petroleum for the potential development of a 300MW power station fuelled by syngas.
- In Chile, the Company is developing a project with Antofagasta, the world's third largest copper miner, for the development of electricity and gas projects fuelled by syngas.
- In the USA, the Company has agreements with Anadarko and with Great Northern Properties to explore for and options to lease coal for project development in Wyoming, Montana and North Dakota.
- In Turkey, the Company has an agreement with Hema Endustri, part of Hattat Holdings, to develop coal assets for a potential power station project.