



Level 12, 301 Coronation Drive,
Milton QLD 4064 Australia
PO Box 2118, Toowong DC
QLD 4066 Australia
[phone +61 \(0\) 7 3337 9944](tel:+610733379944)
[fax +61 \(0\) 7 3337 9945](tel:+610733379945)
www.carbonenergy.com.au

Carbon Energy Limited
ABN 56 057 552 137

Carbon Energy (Operations) Pty Ltd
ABN 61 105 176 967

ASX Announcement

12 July 2011

Carbon Energy will respond to DERM allegations from 2009

The Department of Environment and Resource Management (DERM) has today advised Carbon Energy of charges laid against the Company associated with an alleged release of process water in August 2009.

DERM has said the allegations will not impact on Carbon Energy's continuing operations.

Carbon Energy investigated the allegations and in 2010 submitted an Environmental Report to DERM.

The Environmental Report was accepted by DERM and in February 2011, Hon Kate Jones, the then Minister for Climate Change and Sustainability, said DERM was satisfied that Carbon Energy had demonstrated they would be able to operate within environmental requirements.

Former DERM Director General John Bradley said, at the time of Carbon Energy's Underground Coal Gasification (UCG) trial recommencement, their investigations into the August 2009 incident showed there had been no ongoing damage to the environment and no residual contaminants detected in soil sampling.

From the outset Carbon Energy has cooperated and made its operational processes transparent to DERM.

The Company continues to cooperate with DERM and complies with regular DERM site inspections.

Carbon Energy will take appropriate action to deal with the allegations.

Panel 2 continues to perform well with gas quality at the top end of the Company's range. Testing of the engines for Carbon Energy's 5MW power station is proceeding as planned.

ENDS

For and on behalf of the board



Andrew Dash
Managing Director

