



CarbonEnergy

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ASX Announcement

29th March 2010

Pacific Road Agrees to Acquire a 10% Stake in Carbon Energy

- Carbon Energy (CNX) announces that Pacific Road Resources Fund 1 ("Pacific Road") will become a cornerstone investor through an agreement to purchase a 10% stake from CSIRO.
- Louis Rozman, Investment Director of Pacific Road Capital will be invited to join the Board of CNX as a non-executive Director.
- CSIRO maintains an interest of 4.8% in CNX and will continue its good relationship with the company. Pacific Road has also negotiated an option over the purchase of this remaining CSIRO shareholding.

Carbon Energy is pleased to announce that, after a period of extensive due diligence, Pacific Road has agreed to acquire 10% of the company from CSIRO in an off market trade.

Pacific Road may elect to transfer some of this position to an investor or investors in its funds.

Pacific Road supportive of Carbon Energy's growth strategy

Pacific Road Capital is a private equity manager which invests in the global mining industry. It manages and advises the US\$320 million Pacific Road Resources Fund 1 which invests in mining projects, related infrastructure and services businesses, either as a direct investor or joint venture partner.

Pacific Road's investment philosophy is one of active management, based on close collaboration with senior management of their investee companies. It invests in projects and companies that can provide superior rates of return and applies its extensive resources industry operating experience, financial skills and broad network of contacts to help investee companies achieve this.

Carbon Energy's Managing Director, Mr Andrew Dash commented that "Pacific Road's investment in Carbon Energy follows a six month comprehensive due diligence process, and is a strong third party endorsement of the Company's strategy and its UCG technology. We are particularly pleased to have Pacific Road as an investor as they bring to the table valuable business expertise as well as their access to networks and resources".

"In addition, we are pleased to welcome Louis Rozman to the Board of Carbon Energy where his knowledge and skills will complement the existing Board members (Louis' summary CV is provided in Attachment 1). Of particular relevance is his experience as CEO and Managing Director of listed coal

seam gas company CH₄ Gas Limited from the feasibility, financing, construction, and stable production stages of the Moranbah Gas Project until CH₄'s merger with Arrow Energy in mid 2006. Louis has extensive experience in project development and operations, including power generation, on a number of resource projects around the world" Mr Dash said.

Pacific Road currently has investments in projects in the Americas (including two projects in Chile), Australia, Pacific and Africa with its primary focus on investment opportunities in resource rich regions where country risk is manageable.

Commenting on the transaction Mr Louis Rozman said "We are very pleased to be acquiring a significant stake in Carbon Energy at this exciting stage of the Company's development. We believe that Underground Coal Gasification will play a significant role in the energy mix not just in Australia but around the world. Carbon Energy has world leading UCG technology and a sound business plan which has seen it take a leadership position in the commercial development of UCG in Australia and internationally."

CSIRO shareholding

CSIRO's original shareholding in CNX arose from the sale in November 2007 of its 50% interest in a joint venture company created to develop its intellectual property rights to UCG. As a result of this transaction CSIRO acquired an 18.6% interest in the Company on 30 June 2008. CSIRO's interest has since declined to 14.8% through a combination of dilution arising from subsequent share issues and the sale of 4 million shares on 15 June 2009.

Carbon Energy owns or has exclusive rights to all the intellectual property rights to CSIRO's UCG technology and will continue to work closely with CSIRO whose working relationship with Carbon Energy is not connected, formally or otherwise, with the status of its shareholding in the company.

Following the transaction Carbon Energy's major shareholders will be:

- Incitec Pivot Limited, 11.3%
- Pacific Road Resources Fund: 10.0%
- CSIRO: 4.8%

Carbon Energy's other cornerstone investor and largest shareholder Incitec Pivot Limited, currently has board representation.



Andrew Dash
Managing Director

For Further information please contact:

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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, an alternative to oil-based fuel, agribusiness products (fertilisers and 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.

Located at the hub of the Surat Basin's energy infrastructure, Carbon Energy's resources are perfectly positioned to provide the basis for future energy, industrial and agricultural chemicals, and liquid fuels for export and to the growing local industrial hub.

About Pacific Road Capital and the Pacific Road Resources Funds

The Pacific Road Resources Funds are private equity funds investing in the global mining industry. They are managed and advised by Pacific Road Capital and provide expansion and buyout capital for mining projects, mining-related infrastructure and mining services businesses located throughout resource-rich regions of the world.

The Pacific Road team, located in Sydney, Australia and San Francisco and New York, USA, is comprised of experienced investment professionals that have extensive knowledge and experience in the mining and infrastructure sectors, including considerable operating, project development, transactional and investment banking experience.

For further information, please go to their website at www.pacroad.com.au

About CSIRO

Formed in 1926 and employing around 6500 staff, the Commonwealth Scientific and Industrial Research Organisation (CSIRO) has become Australia's premier research organisation, with an extensive track-record of breakthrough technologies.

With more than 160 existing companies founded through CSIRO technology and many others utilising CSIRO innovations, CSIRO has become one of the largest and most diverse research agencies in the world.

Attachment 1

Louis Rozman BEng, MGeos, FAusIMM CP(Man), MAICD

Summary CV

Louis holds degrees in mining engineering and mineral economics and has over 25 years' experience in mining operations, joint ventures and corporate management in Australasia and Africa. A Fellow and Chartered Professional of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Company Directors.

Currently:

- Investment Director of Pacific Road Capital, private equity mining investment fund;
- Chairman of privately owned Kula Gold Pty Ltd which has a gold project in PNG;
- Director of TSXV listed Timmins Gold Corp which has a gold project in Mexico;
- Director of ASX listed Pacific Energy Limited; and
- Director of ASX unlisted Mawson West Ltd.

Previously:

- Inaugural MD/CEO of ASX listed coal seam gas explorer and producer CH₄ Gas Limited (now Arrow Energy Limited); and
- COO of ASX listed major gold companies Delta Gold and AurionGold.

In addition Louis is actively involved in the Australasian Institute of Mining and Metallurgy:

- Member of the Chartered Professional Board;
- Chairman of the Sydney Branch; and
- Chairman of Valmin Committee.
- Formerly Vice Chairman Joint Ore Reserve Committee (JORC)