



carbonenergy

Carbon Energy Limited | ABN 56 057 552 137

ASX Announcement

21 November 2013

Level 9, 301 Coronation Drive,
Milton QLD 4064 Australia
PO Box 2118, Toowong DC
QLD 4066 Australia

phone + 61 (0) 7 3156 7777

fax + 61 (0) 7 3156 7776

www.carbonenergy.com.au

Carbon Energy Limited

ABN 56 057 552 137

Carbon Energy (Operations) Pty Ltd

ABN 61 105 176 967

ANNUAL GENERAL MEETING – 21 NOVEMBER 2013: CHAIRMAN'S ADDRESS & MANAGING DIRECTOR'S PRESENTATION

Carbon Energy (ASX:CNX, OTCQX:CNXAY) will present the attached Chairman's Address and Managing Director's Presentation at the Annual General Meeting of Shareholders being held at the Brisbane Convention Centre, Plaza Level Room P2, Cnr Merivale & Glenelg Streets, South Brisbane, Queensland this morning.

The meeting will commence at 09:30 AEST.

ENDS

For and on behalf of the Board

Tracy Bragg
General Counsel & Company Secretary

**For more information please contact Jodie Springer on +61 7 3156 7712
or refer to our website at www.carbonenergy.com.au**

Carbon Energy Annual General Meeting 2013

Dr Chris Rawlings, Chairman

Good morning, Ladies and Gentlemen.

My name is Chris Rawlings and I am the Chairman of Carbon Energy Limited.

On behalf of your Board, I am very pleased to be reporting to you on the progress achieved by Carbon Energy during the past financial year.

Carbon Energy has faced many challenges this past year, as an emerging energy technology company.

Your Company has faced and continues to face challenges in a bi-polar listed company market, where junior resource companies are not being supported and the top blue chip companies are gaining. The overall investment market has not been conducive to junior resources and technology development companies raising capital. Australian investor risk appetite is at a very low level. As such investor interest in companies, whose resource or technology opportunity is over the immediate horizon, and who are not yet producing cash flow and dividends, is also very low.

Despite this adverse investment environment, we have been supported by a significant number of long term shareholders and some new Chinese investors in our recent rights issue. For the faith you have shown in Carbon Energy and its technology, I thank you. To our new investors I welcome you to our Company and to our technology. Your support and confidence in the future of the Company greatly encourages the management team to succeed.

We also operate in a regulatory regime, in Queensland, where environmental risk appetite by Governments and bureaucrats is also very low. There is a significant number of bureaucrats, who are ideologically supportive of renewable energy technology and hence opposed to fossil fuel based businesses. They do not seek to make the pathway to an approved new fossil fuel industry an easy or facilitated one. Your Company has to fight for every scrap of progress it can demonstrate.

Fortunately, we are up for this challenge and welcome the opportunity to defend and promote the environmental benefits of the keyseam® UCG syngas technology in the public and regulatory arena.

The environment does, however, encourage your Company to seek support from overseas jurisdictions, whose regulatory environments are more supportive and whose investors still take a longer term view.

There are grounds for much optimism. Carbon Energy is going through a metamorphosis which is progressively gaining traction in the marketplace.

In the previous year, a strategic review of your Company was undertaken. Carbon Energy has since focused on delivering on this strategy. The strategy has three parts:

1. Licensing the keyseam technology and commercialising UCG services;
2. Progressing commercialisation of the Queensland UCG syngas assets at Bloodwood Creek; and
3. Monetising our thermal coal assets.

The technology has attracted the most interest in China, but like many companies beginning their Chinese journey, we have had a stuttering start.

The Company's first technology and UCG services agreement in China was with a state owned coal company, Shanxi Coal. The commercial arrangement was strongly supported by the incumbent regional and local Government officials.

With the introduction of the new Chinese five year plan, and a new central Government regime, key Provincial and Local Government officials changed and progress stalled. The enthusiasm of the former incumbents for the introduction of the technology was replaced with caution and a need for more information and consideration.

Despite efforts by Carbon Energy to progress the project forward, Shanxi is yet to fulfil the commercial agreement with payment of the licence fee. We have been very patient during this protracted process, but the time has come to insist on completion, or to terminate the arrangement and allow other companies to step in. We will keep you up to date with new developments as soon as they come to hand.

Although the outcome of our first signing in China has not been what we had hoped, we have found other opportunities in the country and achieved the first commercialisation of our keyseam technology in Inner Mongolia.

Carbon Energy entered into a Master Technology Licence Agreement with the Zhengzhou Group for a commercial scale UCG facility in Inner Mongolia. The project is on track to reach full commercialisation in the agreed timeframes.

Carbon Energy will be remunerated as technology advisers and receive a licensing fee on the achievement of technical milestones and a royalty once commercial gas is produced. The first of the technical milestones has been reached and Carbon Energy has seen the start of the revenue stream from the project.

A strong relationship foundation has been established with the owners and management of the Zhengzhou Group, who participated in the latest capital raising as a new cornerstone investor. This progress has attracted another Chinese investor, who has taken a significant holding in the rights shortfall.

There has also been interest from companies in other countries, who see UCG as a new energy opportunity.

Carbon Energy is establishing itself in South America and is poised to take advantage of opportunities there in relation to electricity supply.

A relationship has been established with the Delmo Group for an Argentinian power project. Carbon Energy has the opportunity to become the UCG technology provider for a commercial scale power generation project. Argentina is experiencing rising electricity demand and Carbon Energy provides the opportunity for the country to develop electricity from their own coal resources through the production of syngas from our keyseam UCG technology.

Carbon Energy has signed a Memorandum of Understanding with Antofagasta Minerals to potentially acquire 100% of the Mulpun UCG project in Chile.

Acquiring all rights to the project is a positive move for the Company as several major project milestones have already been achieved by the incumbent project owner Antofagasta. Plus, the Company sees significant opportunities in Chile for commercial UCG projects. As with most of South America, the country faces growing energy-supply challenges and relies on importing coal and natural gas to meet its massive domestic demand.

To fulfil the terms of the agreement, Carbon Energy is to secure equity partners and debt funding providers and discussions with potential parties are progressing positively.

We continue to receive enquiries for UCG from all corners of the globe. Interest in, and recognition of, our technology continues to grow.

Our patented keyseam UCG technology is proven in concept and in trial operation.

Consistent production volumes and gas quality were demonstrated during operations at the Bloodwood Creek trial panel, near Dalby in Queensland.

We are very honoured to have been recognised for this major advance through an award at the Beijing Coal Conference 2013. Carbon Energy's keyseam technology was recognised as the Most Advanced Clean Coal Technology. With China focussing on cleaner energy solutions this was a tremendous recognition for our proprietary UCG technology, in a market which should be conducive to adoption of the technology.

UCG has earned its place to become a viable contributor to the mix of available energy sources.

Having commenced our first commercial project in Inner Mongolia, the Company is confident that over the next few years we will progressively be engaged on a number of projects that will clearly identify the worth and use of keyseam UCG syngas as an energy source. We are looking forward to progressively establishing other new global partnerships as commercial discussions mature.

Meanwhile, our Bloodwood Creek trial UCG panel near Dalby in Queensland is in the decommissioning phase of the Queensland trial. Rehabilitation plans for the cavity are in preparation and will be progressively implemented in co-operation with the Queensland Government.

Our objective is to show the people of Queensland and the Queensland Government that our UCG operations can be conducted in a manner that is environmentally sound.

Drilling in to the Panel 2 cavity to obtain water, core and other samples required to design a decommissioning and monitoring program will occur in the coming months. Documentation of the decommissioning plan and the development of proposed rehabilitation completion criteria are progressing well. We continue to work with Government to keep the focus and momentum on establishing a positive regulatory regime for UCG in Queensland.

Many of you would be aware of the ongoing media reports about a looming gas supply shortage and major price increases due to factors including overseas contracts for LNG on the east coast of Australia.

In this climate, the Board is convinced that Carbon Energy is perfectly positioned to play a major role in meeting Queensland's future energy needs. Carbon Energy's Syngas Reserve at Bloodwood Creek represents a valuable and identified source of energy for Queensland. Recently your Company announced an (independently certified) 83% increase in the 2P UCG gas reserve of the Bloodwood Creek deposit to 1362 petajoules. This is a major gas reserve within the identified 28,000+ 2P gas reserve for the whole of the Surat Basin.

The tiny surface footprint for UCG, if applied over the Surat Basin, would enable a significant increase in available gas with very limited surface disturbance. This is a tremendous opportunity for gas supply from Queensland for domestic or export use.

It deserves to be commercialised at a time when the availability of domestic gas will be constrained as the three LNG plants, currently under construction in Gladstone, go into full demand mode.

Despite this opportunity for a new gas source, that this represents, consideration of UCG by the Queensland Government has been an overly protracted process. I have already mentioned the risk averse and ideological basis of delays to an approval regime in Queensland. The lack of Government support and facilitation will drive the investment opportunity overseas. We have already seen two other UCG pioneering companies driven out of the state by the lack of informed oversight and artificial regulatory barriers.

If the coal and LNG industries had been scrutinised and resisted in the same way that UCG has been, they would not be making (or about to make) the huge contributions to state revenues and investment returns, that they do.

Informed and facilitative relationships are the ways to regulate the resources of this state, not fear and artificial barriers, which only results in driving investment opportunity away.

Carbon Energy also owns significant coal assets in South East Queensland's world-class Surat Coal Basin.

In April this year Carbon Energy announced a 48% increase in our JORC Inferred Coal Resource to a very substantial 2 billion tonnes. This also does not represent all coal seams on all leases, so more is yet to be explored and identified.

PCF Capital Group has been engaged to facilitate the sale or development of these assets with suitable partners. This substantial wholly-owned resource is a valuable asset for Carbon

Energy and while monetising under the current climate is challenging, we are very well placed to do so when conditions improve.

Now I would like to talk briefly about capital management.

This financial year we implemented important cash management strategies for the long term success of the Company. Your Company is a much leaner company than it has been previously. Cost reduction measures were introduced to reduce ongoing expenditure and minimise cash outflows to preserve capital.

The Company undertook a Capital Raising through a Rights issue which raised \$8.8 million - \$4.4 million of that from two new cornerstone investors. The receipt of an R&D Incentive has also allowed us to fully extinguish our debt with Credit Suisse.

We are very encouraged by the strong support shown not only by our current shareholders but by new investors as well which demonstrates confidence in our global operations, our keyseam UCG syngas technology, our technology licensing strategy and the UCG industry as a whole.

One of the most pleasing aspects of 2013 is that through a difficult period we have been able to maintain the capability and focus of very valuable Carbon Energy people who remain committed to this Company.

They share the vision for UCG technology, both here and internationally, and the Board is very appreciative of their efforts throughout this process.

In closing today, I would like to thank the Board and employees, and also welcome our new Managing Director Morné Engelbrecht to his post. Morné is leading the Company through a challenging environment and setting up the business for future success.

Finally I would like to thank you, the shareholders, for your ongoing faith in the business. We are still in the process of growing as a company and developing a business with our new technology. We will see some positives changes in the coming year and look forward to delivering you real value in the years ahead by further developing Carbon Energy into a strong company on your behalf.

Thank you.



CARBON ENERGY LIMITED
ANNUAL GENERAL MEETING

21 November 2013

CEO & MANAGING DIRECTOR'S PRESENTATION
Mr Morné Engelbrecht

Important Statements

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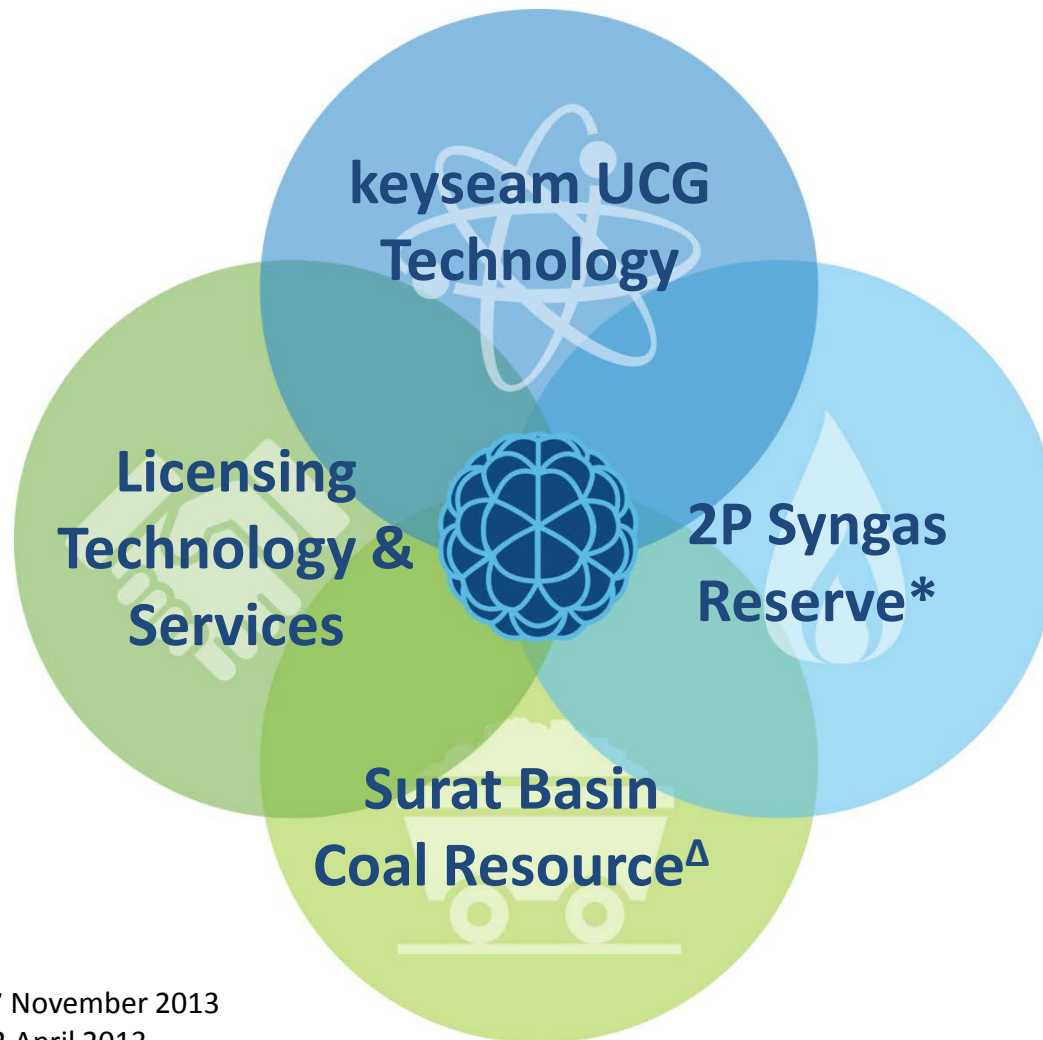
Competent Persons Statement

The information in this Presentation that relates to mineral resources in respect of the Company's Surat Basin assets (Exploration Permit for Coal (EPC) 867, 868, 869 and 1132 and Mineral Development Licence (MDL) 374) is based on information compiled by GeoConsult Pty Ltd and Adrian Buck and reviewed by Warwick Smyth, who is a member of the Australasian Institute of Mining and Metallurgy (CP) Geology; and the Australian Institute of Geoscientists. Warwick Smyth is a qualified geologist (BSc Geol, Grad Dip AF&I, MAusIMM (CP) MGSA, MAIG), and a Principal Consultant for GeoConsult Pty Ltd and has over 20 years experience which is relevant to the style of mineralisation, the type of deposit under consideration and to the activity which has been undertaken to qualify as a Competent Person as defined by the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Warwick Smyth of GeoConsult Pty Ltd has no material interest or entitlement, direct or indirect, in the securities of Carbon Energy or the Projects. GeoConsult has been commissioned to provide geological services to Carbon Energy since late 2012. Fees for the preparation of this information are on a time and materials basis. Warwick Smyth and GeoConsult Pty Ltd consent to the use of the resource statement and references to it and extracts from it, in the form and context in which they are included.

The reserve estimates used in this document (where it relates to the syngas reserves at Bloodwood Creek) were compiled by Mr Timothy Hower of MHA Petroleum Consultants, Colorado, USA, a qualified person under ASX Listing Rule 5.11. Mr Hower has consented to the use of the reserve information contained within this document in the form and context in which it appears.

keyseam® is a registered trademark of Carbon Energy.

Carbon Energy - Key Assets



*See ASX Announcement 7 November 2013

^Δ See ASX Announcement 2 April 2013

2013 Achievements

- **keyseam Commercialisation**
 - 1st Commercial Licensing deal
 - 1st Revenue from Licensing Model
- **Technology Development**
 - Strengthened our **Technology Offering**
 - **Electro Seismic** - Cavern position verified
- **Governance**
 - **ISP report** gives path to Qld permit



Beijing Technical Discussions



Inner Mongolia Project Site



Drill Rig on Inner Mongolia Site

2013 Achievements

- **Projects**

- **1st Project** started in China
- **Mulpun Chile Opportunity**
- **MOU** for Argentina
- **BwC** Concept Studies

- **Resource upgrades**

- **83% Increase** in 2P Syngas Reserves*
- **48% Increase** in Coal Resource^Δ



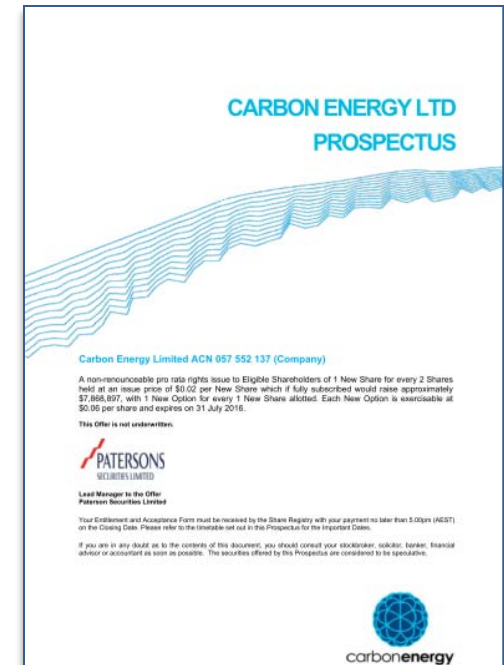
First UCG Commercial Project Location Map – Inner Mongolia

*See ASX Announcement 7 November 2013

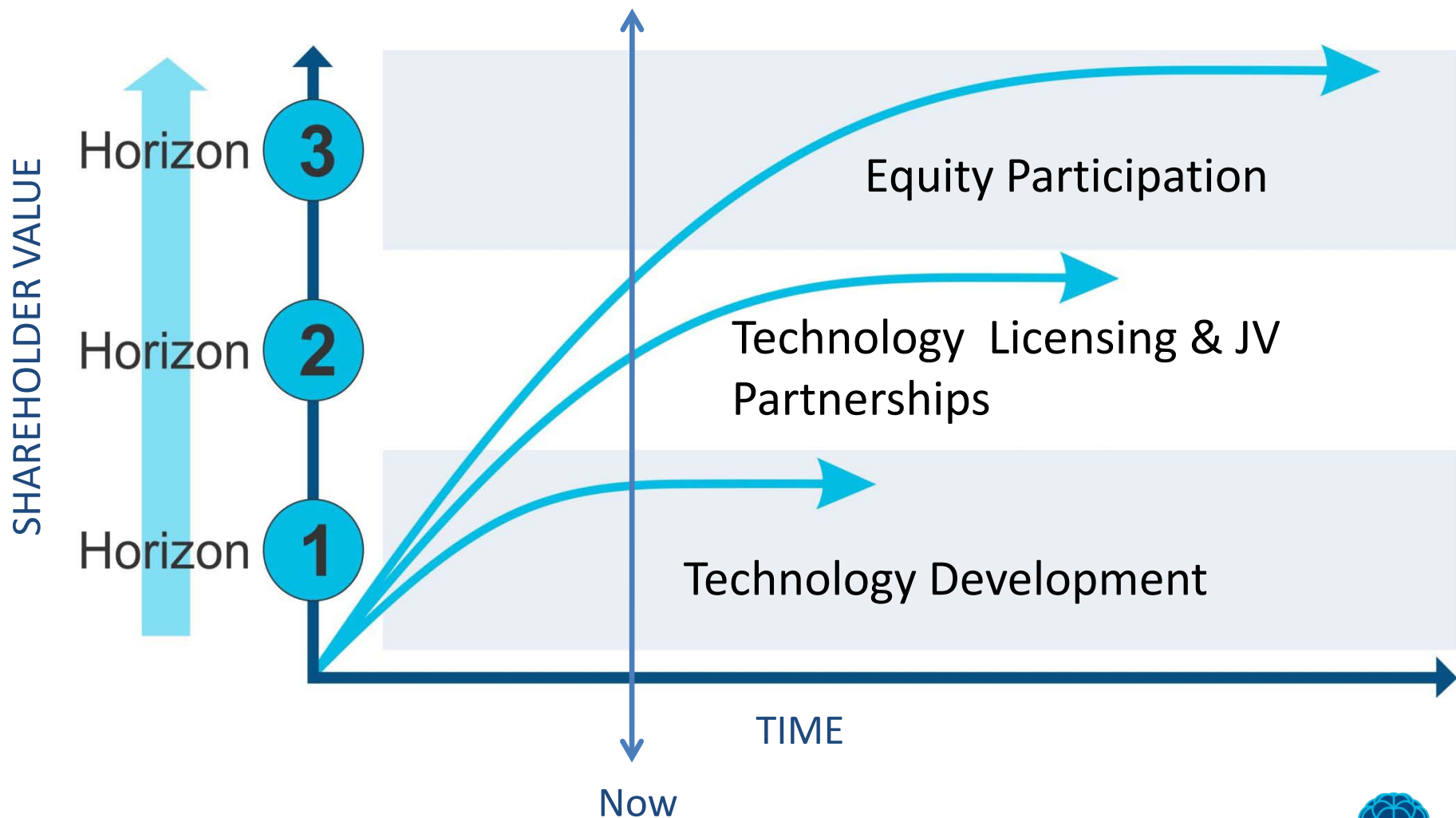
^Δ See ASX Announcement 2 April 2013

Balance Sheet Strengthened

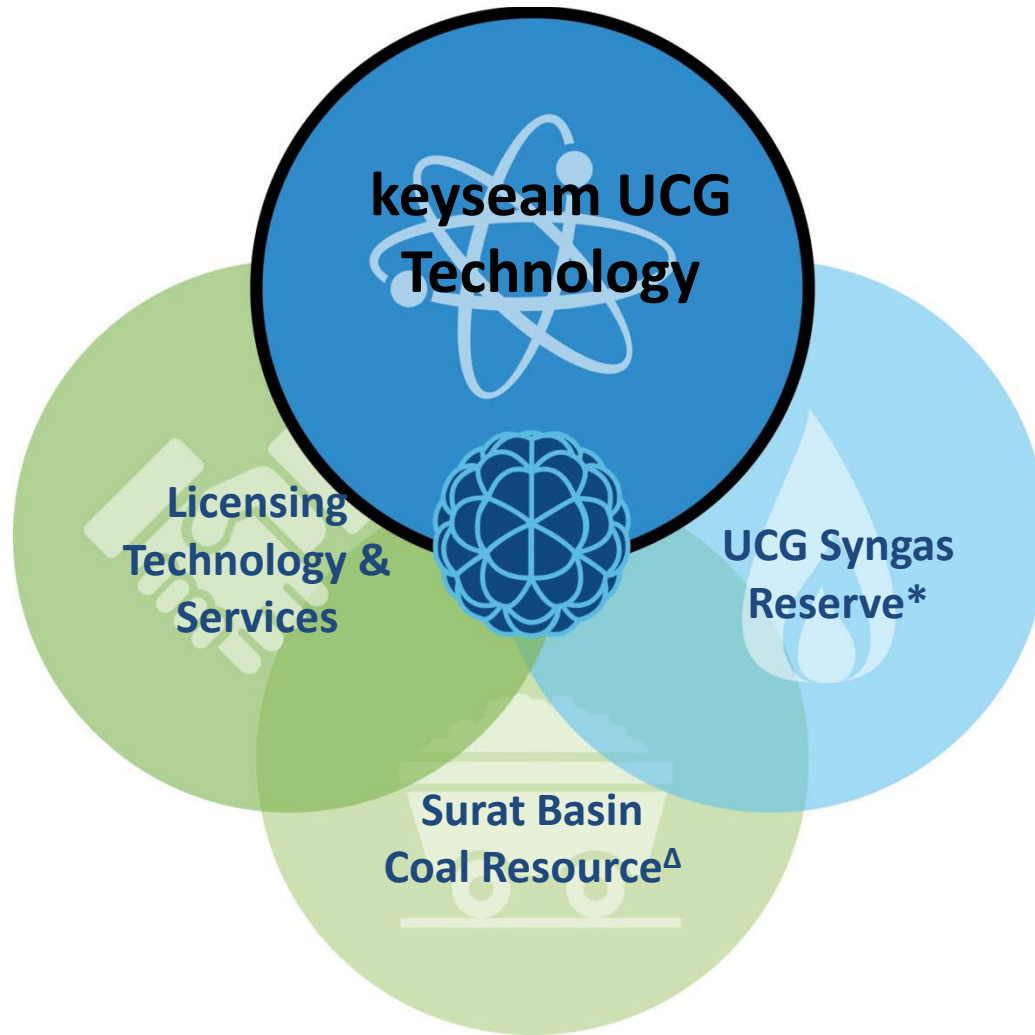
- **Strong Foundation** for Growth
- Capital Raising Total of **\$8.8 million**
- **1st Revenue** received – more to come
- **Two New Cornerstone** Investors secured:
 - Holder East Capital - \$1 million
 - Kam Lung Investment - \$3.4 million
- Repaid **\$3 million** to Credit Suisse
- **\$3.78 million** R&D Tax Incentive received
- **>35% Reduction** in Corporate and Operational costs*



Growing Carbon Energy Over Time



keyseam UCG Technology



*See ASX Announcement 7 November 2013

^Δ See ASX Announcement 2 April 2013

Keyseam Difference



Liquid Knock Out Module
Bloodwood Creek Queensland

Carbon Energy has achieved **Proof of Concept** and has demonstrated:

- Drilling and construction
- Ignition and commissioning
- **Over 5 years of in-field** trials
- **Over 20 months continuous** production
- **Consistent production of high quality syngas**
- Operation of 1.5 MW Power Station
- Connected, synchronised Power Station to the local grid
- **Validation of gasification prediction models**
- **Sound environmental management**
- **Independently verified** Proof of Concept
- Completed an independent **electro-seismic survey**

ISP Report Recommendations

1. Continue current **pilot trials**
2. Develop **rehabilitation plan** and agree assessment process with the Government
3. **Commercial facility** can commence when the rehabilitation plan is developed and agreed



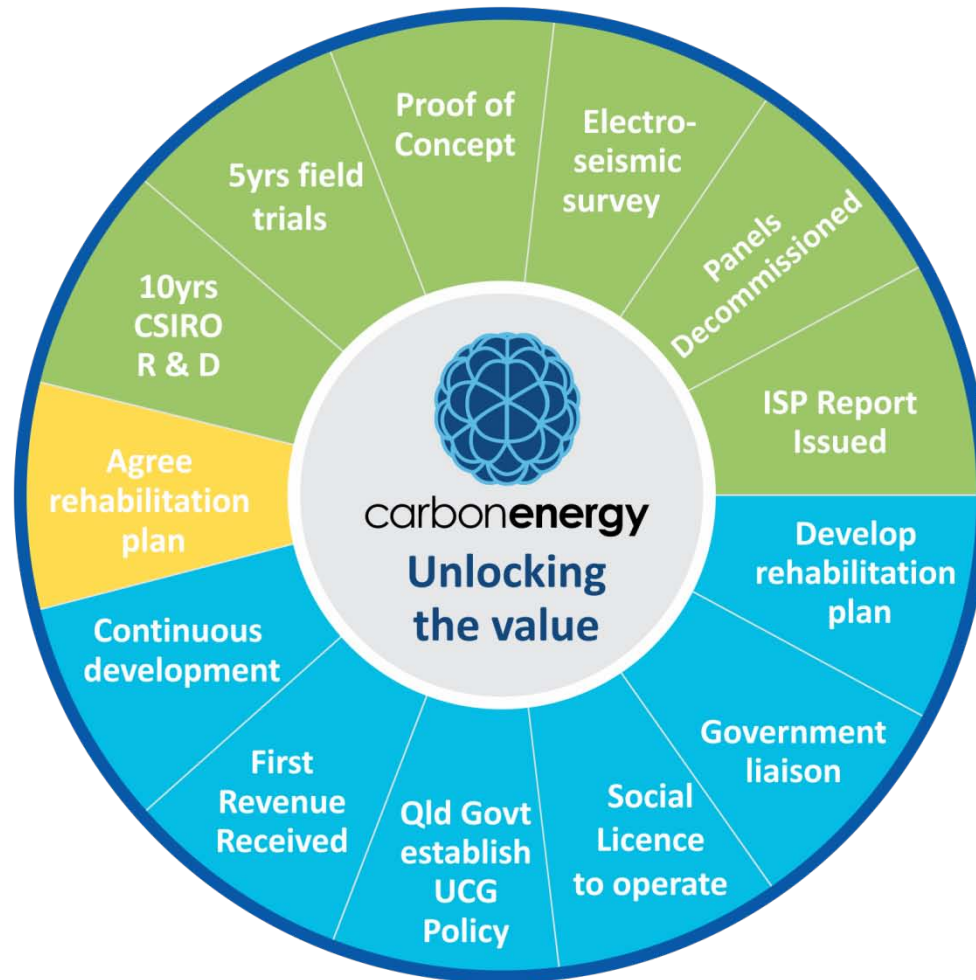
Production Well
Bloodwood Creek Queensland

Technology Development – Key drivers

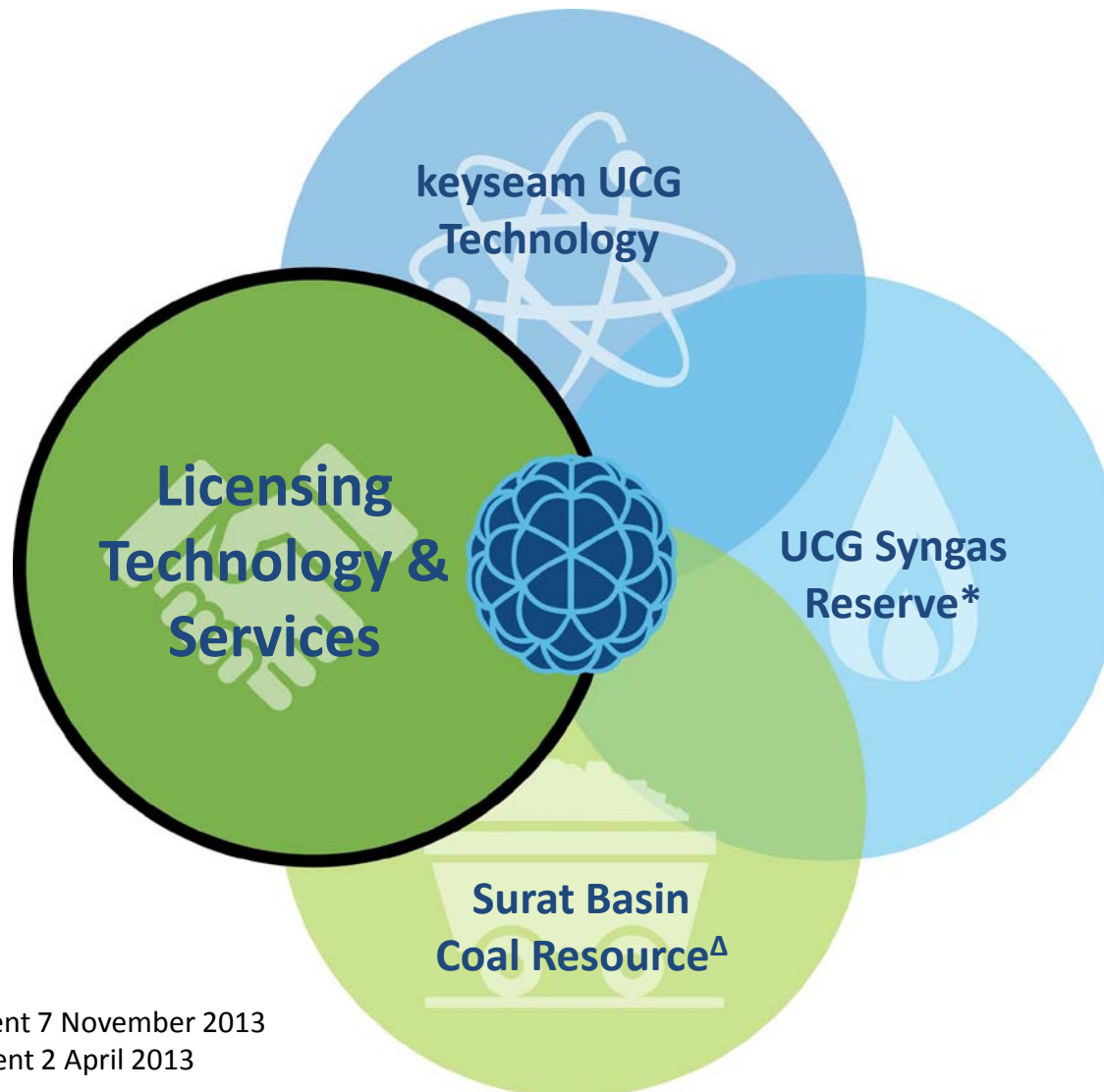
Objectives	Next Steps
UCG Regulatory Regime in Queensland	<ul style="list-style-type: none">• Access cavity to obtain water and core samples• Obtaining suitable samples from cavity• Reaching agreement on final rehabilitation criteria• Achieving final policy approval for UCG industry in Qld
Government liaison	<ul style="list-style-type: none">• Consistent communication at all levels• Socialise UCG and its benefits
Gain community support	<ul style="list-style-type: none">• Educate community on benefits of UCG• Establishing UCG as a viable, non-threatening solution• Establishing UCG as a viable unconventional gas source• Complete Rehabilitation plan activities

keyseam Technology

Unlocking the value



Licensing Technology & Services

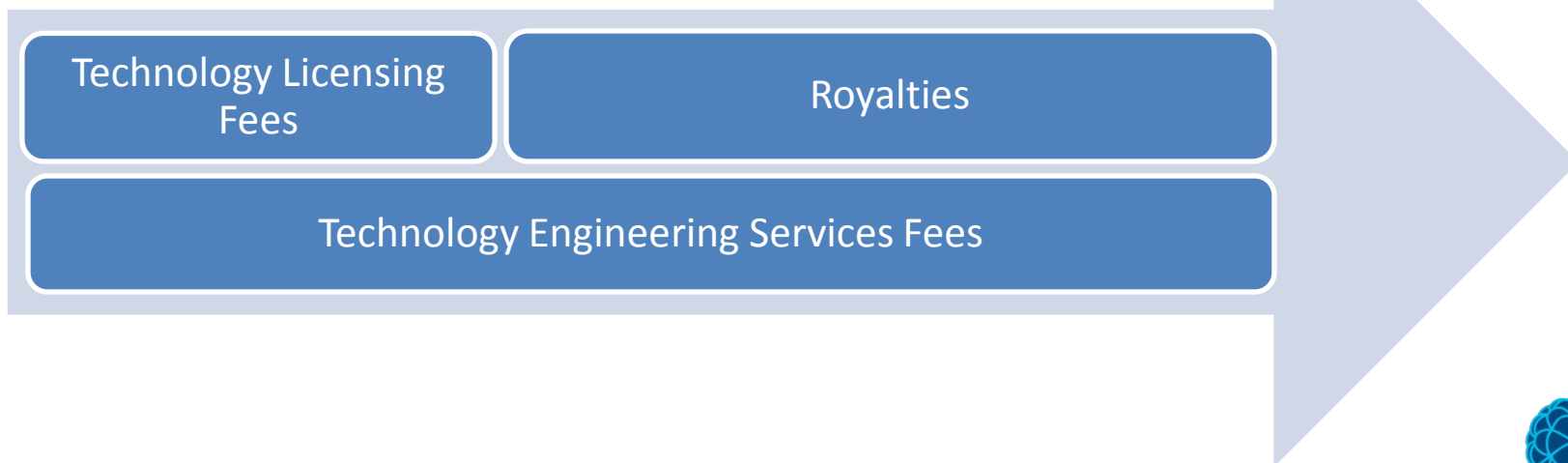


*See ASX Announcement 7 November 2013

^Δ See ASX Announcement 2 April 2013

Technology Commercialisation Model

- Carbon Energy **currently a non-equity partner** in UCG projects
- Typical Carbon Energy Service and Licensing model:
 - **Licensing fee**
 - **UCG Engineering Services on schedule of fees**
 - Ongoing **royalty** once revenue generated by the project
- **Continuous cash inflows** through the project life cycle:

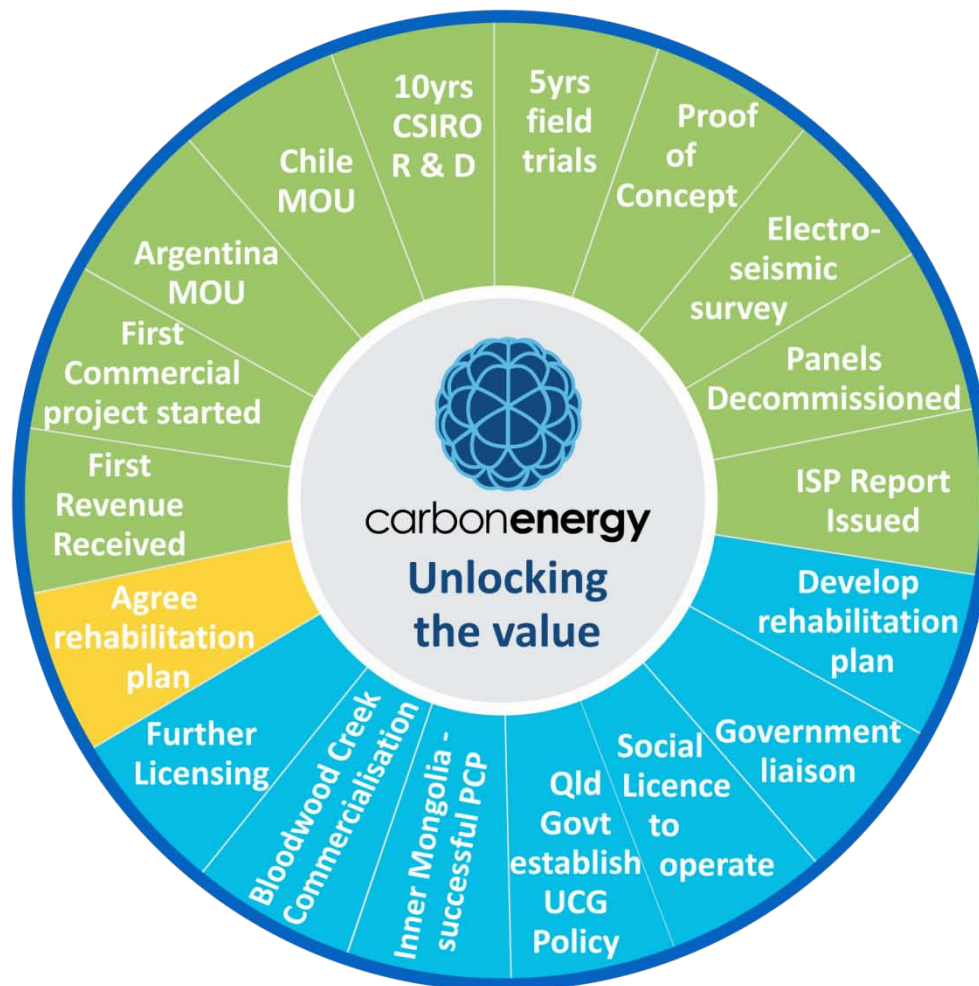


Technology Commercialisation – Key Drivers

Project	Next Steps
Inner Mongolia	<ul style="list-style-type: none">• Construct and operate PCP• Construct and operate 2 further panels• Securing Commercial License to operate• Construct and operate commercial facility
Argentina	<ul style="list-style-type: none">• Securing Off-take Agreement• Subject to securing and agreeing above then move forward<ul style="list-style-type: none">- Site Screening- Resource Definition- Secure Project Funding
Chile	<ul style="list-style-type: none">• Secure Project Partners• Secure Project Financing• Secure Power Off-take Agreement• Subject to securing and agreeing above then move forward

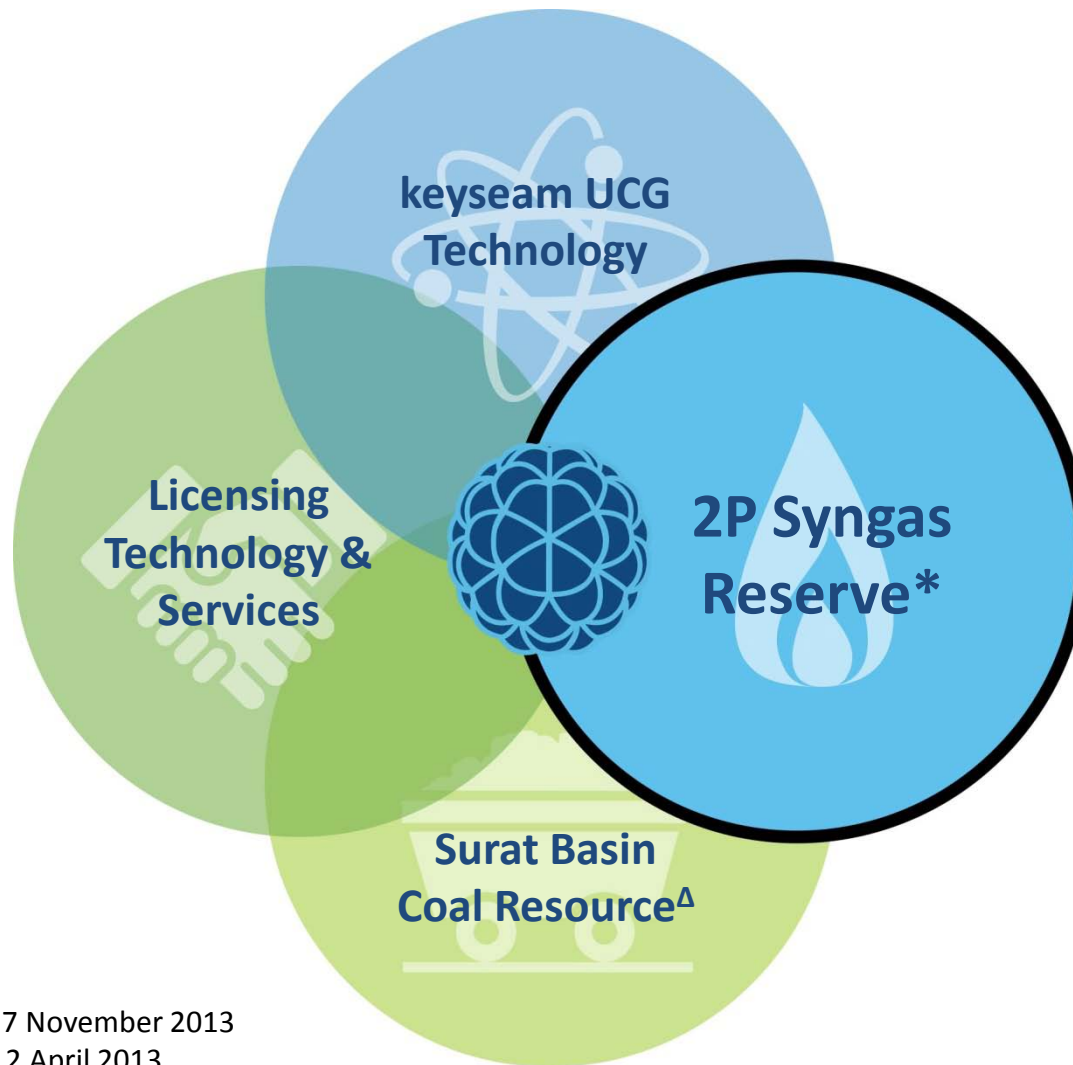
Licensing Technology & Services

Unlocking the Value



- Completed
- In progress
- To start

2P Syngas Reserve



*See ASX Announcement 7 November 2013

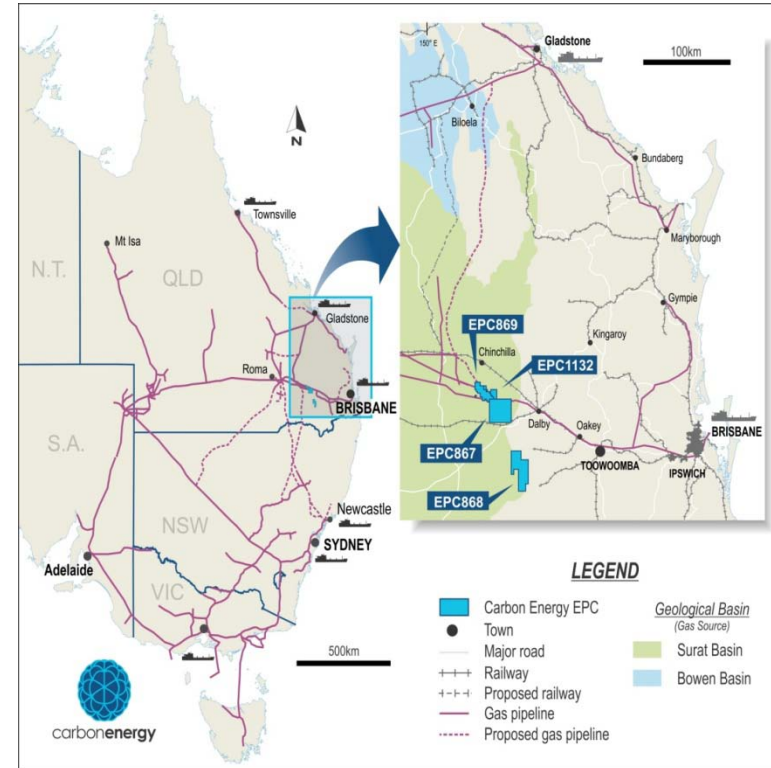
[^] See ASX Announcement 2 April 2013

World's Only Certified 2P Syngas Reserve

Snapshot

Location	Surat Basin, Queensland
Syngas Reserve	1,362PJ 2P & 3,285PJ 3P syngas Reserves*
QLD Downstream Markets	Ammonia/Urea and/or Synthetic Natural Gas (SNG)
Infrastructure	Access to major infrastructure
Progress made	<ul style="list-style-type: none"> • Conceptual studies completed • ISP Report finalised and released • Decommissioning complete • Rehabilitation plan commenced

Area	Category	Gross Gas Volumes (PJ)
Bloodwood Creek MDL 374	1P Reserve (Proven)	11*
	2P Reserve (Proven + Probable)	1,362*
	3P Reserve (Proven + Probable + Possible)	3,285*

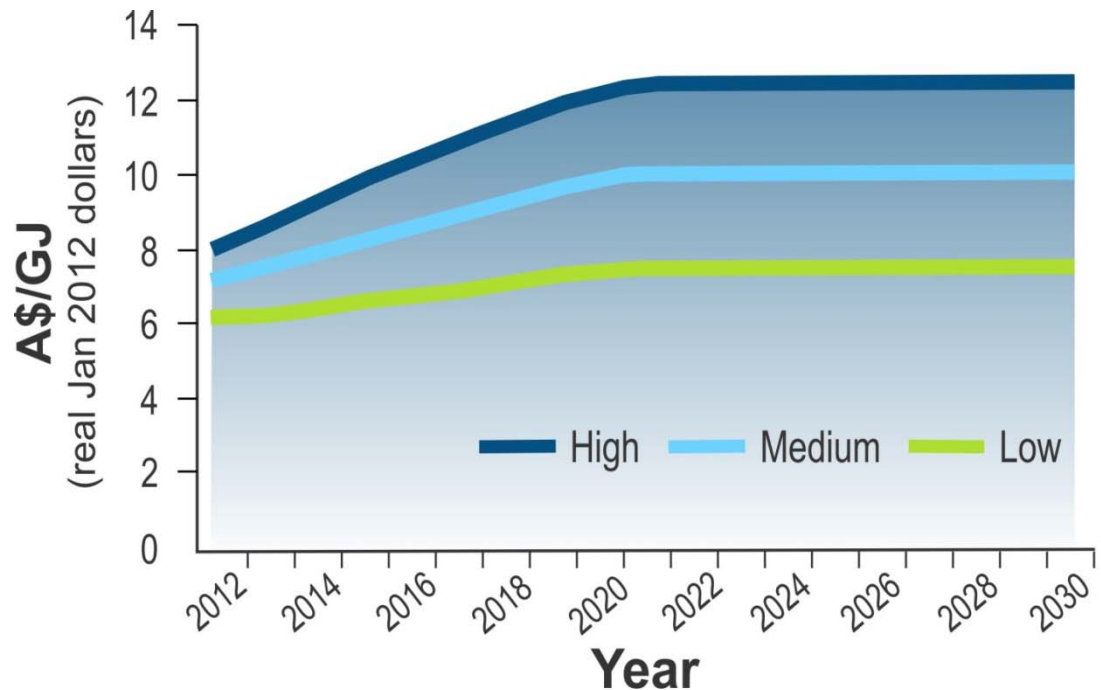


***83% Increase in 2P Syngas Reserve to 1,362 PJ**

* See ASX Announcement 7 November 2013

Strong East Coast Demand – Domestic & Export

- **Large scale LNG Developments –2014/15**
- **Declining production** from east coast conventional gas
- Domestic industrial gas users **unable to renew long term contracts**
- **Significant uncontracted 2P Syngas Reserves**



“The Queensland Market lacks liquidity, with gas in short supply for new contracts both pre and post 2015”

The Queensland Government, 2012 Gas Market Review

2P Syngas Reserve – Key Drivers

Objectives

Next Steps

UCG Regulatory Regime in Queensland

- Access cavity to obtain water and core samples
- Obtaining suitable samples from cavity
- Reaching agreement on final rehabilitation criteria
- Achieving final policy approval for UCG industry in Qld

Government liaison

- Consistent communication at all levels
- Socialise UCG and its benefits

Establish commercial operations

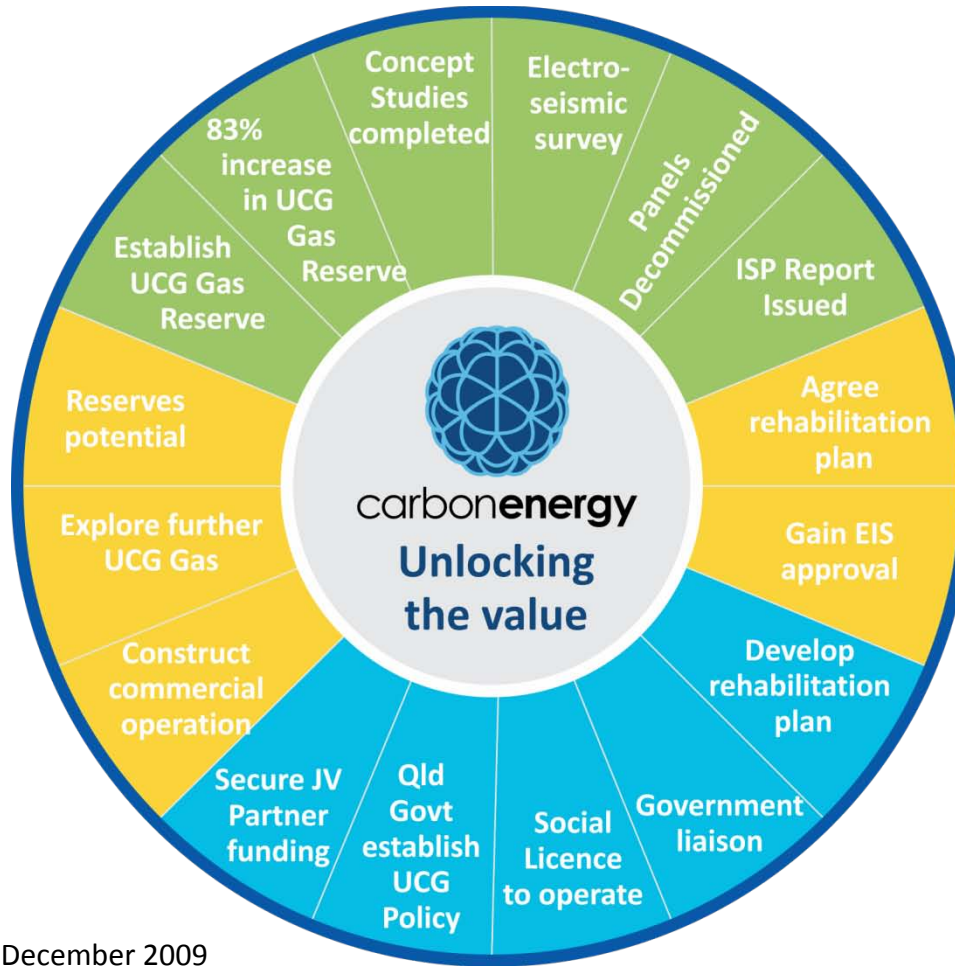
- Subject to securing UCG policy
- Secure offtake partners/agreements

Gain community support

- Educate community on benefits of UCG
- Establishing UCG as a viable, non-threatening solution
- Positioning UCG from other unconventional gas sources
- Complete Rehabilitation plan activities
- Be clear on Environmental impacts and safeguards

2P Syngas Reserve

Unlocking the Value

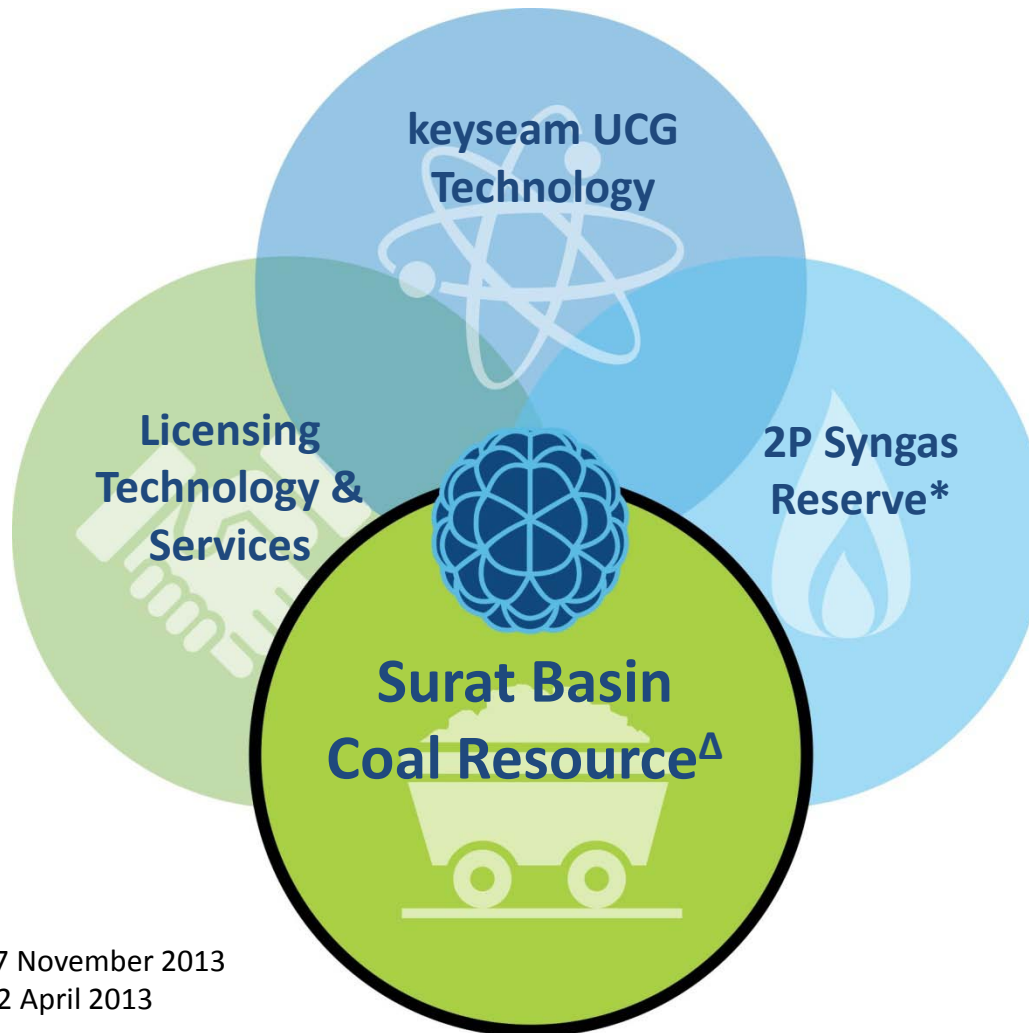


- Completed
- In progress
- To start

* See ASX Announcement 8 December 2009

*See ASX Announcement 7 November 2013

Surat Basin Coal Resource

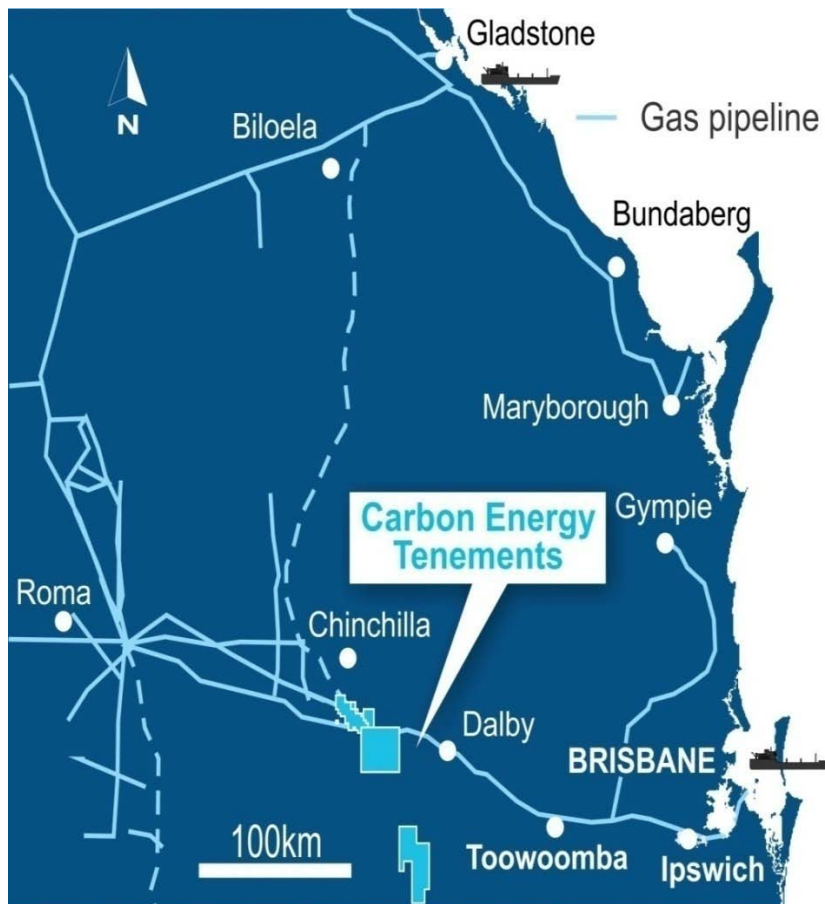


*See ASX Announcement 7 November 2013

^Δ See ASX Announcement 2 April 2013

Monetisation of Surat Basin Coal – Sale Process

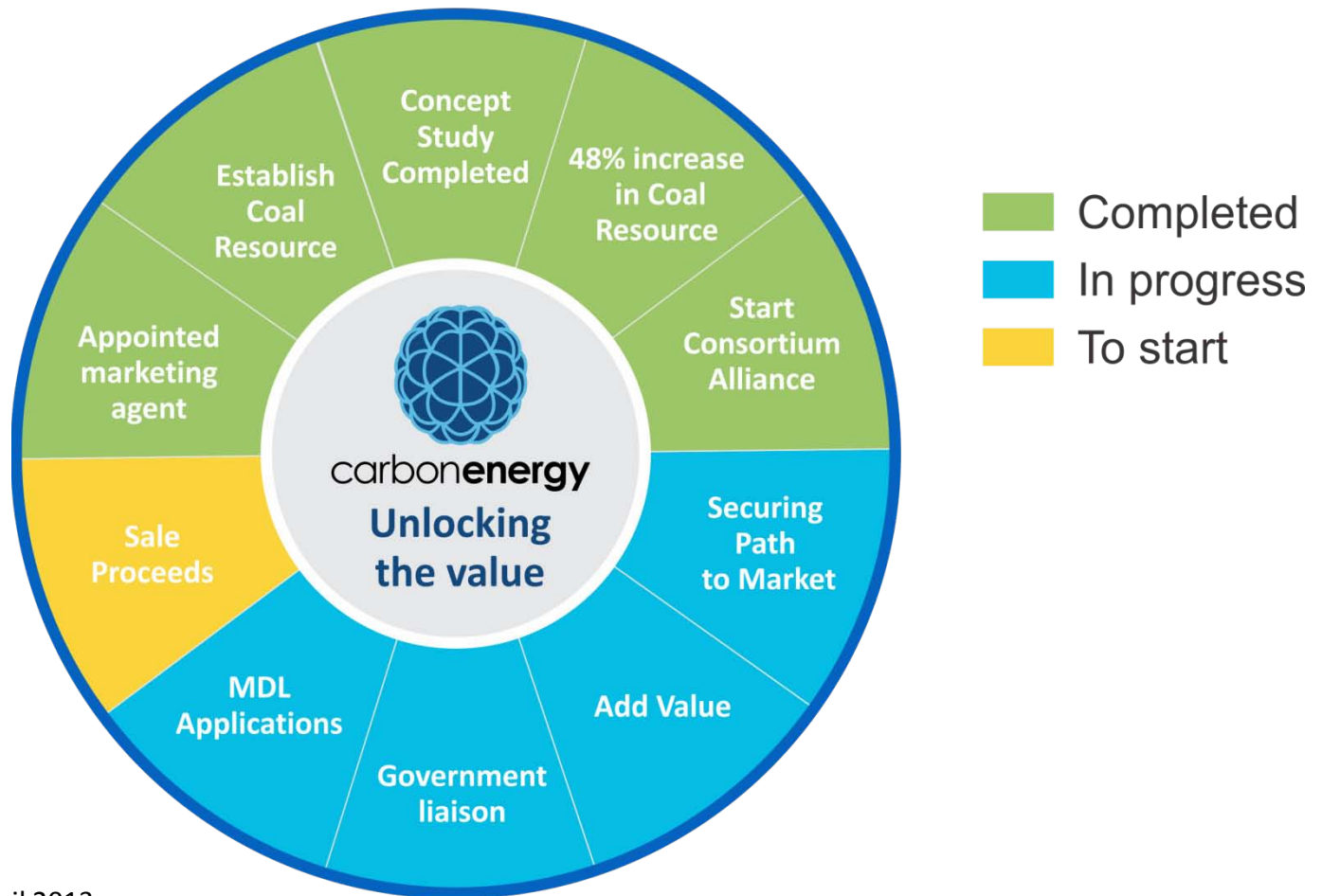
- **PCF Capital Group** appointed to monetise the 2Bt JORC Resource^Δ thermal coal assets
- **Surat Coal Development Alliance** Formed – Collaborating with ATEC Rail and others



Snapshot	
Resource	• 2.0Bt JORC Inferred Resource ^Δ
The 2012 Conceptual Mining Study found:	
Product	Export quality thermal coal ~ Gross CV 6,200 kCal/kg* ~ 11% ash*
Potential Product	• 3 Longwall mining areas • 15 million product tonnes p.a. • 4.5m mining height
Total Production Cost	• A\$81 per tonne FOB • A\$23.45 per tonne at pit head
Distance to port	• approx. 400km to Gladstone • approx. 250km via Port of Brisbane
Infrastructure	• Access to major infrastructure except rail

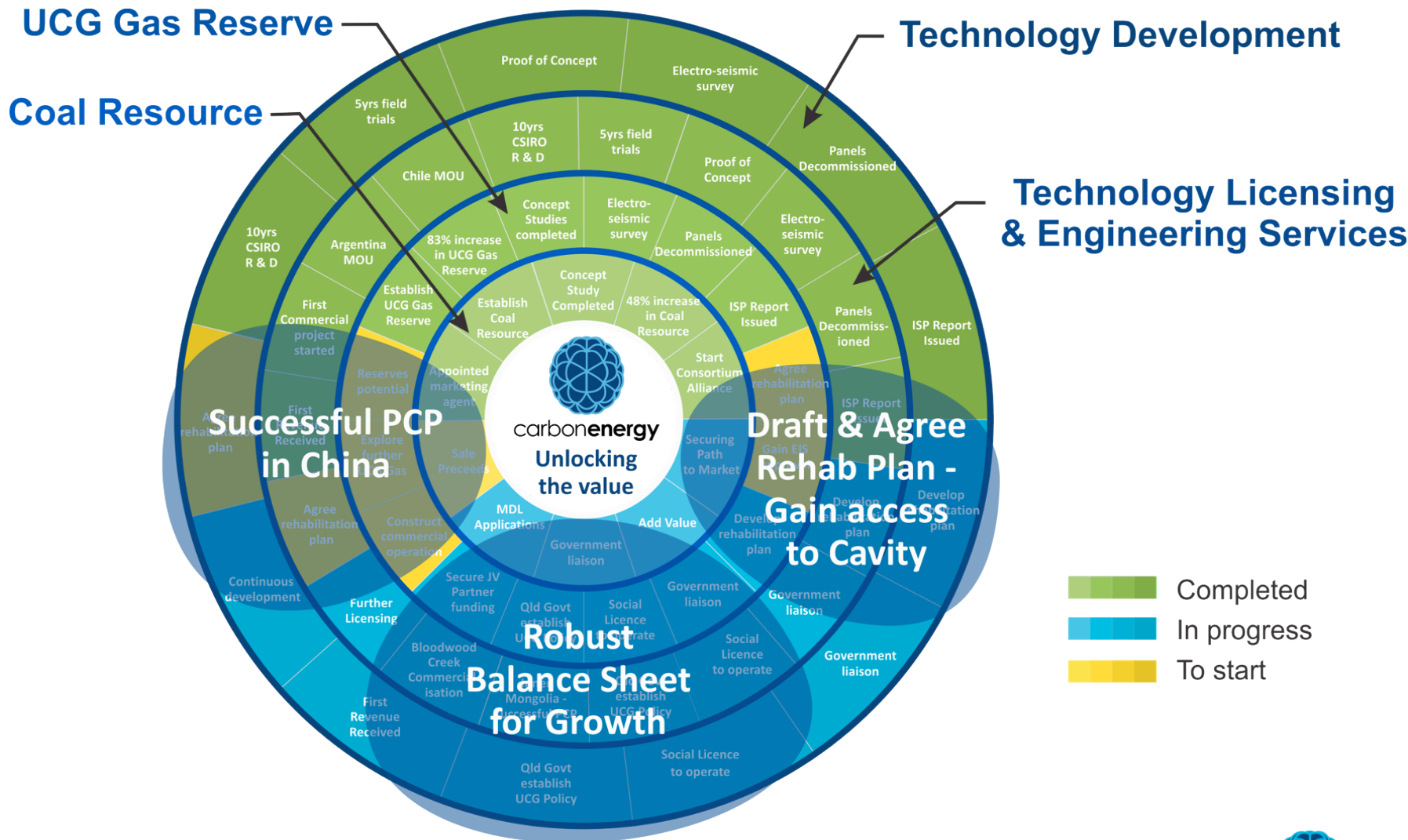
• Figures used in 2012 Conceptual Mining Study from nearby coal mines production published in “Queensland Coals” by Qld DNRM
 • ^Δ JORC Report by Warwick Smyth released to market on 2 April 2013

Surat Basin Coal Resource Unlocking the Value



^Δ See ASX Announcement 2 April 2013

Unlocking Carbon Energy Value



*For UCG Gas Reserve See ASX Announcement 7 November 2013

Δ For Coal Resource See ASX Announcement 2 April 2013

Key Focus Areas for Unlocking Value

- **Successful commissioning and operation of PCP**
 - Key to China market entry & Technology marketing worldwide
 - Further Licensing leads to further **cash inflows**
- **Rehabilitation Plan progressing**
 - Increase **Technology offering** and know-how
 - Potential to unlock **significant un-contracted** 2P Syngas Reserve*
- **Continue Building a Robust Balance Sheet for growth**
 - Generate cash through **Licensing Deals & Services**
 - **Coal Sale Proceeds**

*For 2P Syngas Reserve See ASX Announcement 7 November 2013

