



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

9th December 2010

ASX Limited
10th Floor, 20 Bond Street
SYDNEY NSW 2000

RE: Carbon Energy Limited – Investor Presentation

Carbon Energy Limited (ASX: CNX) is pleased to supply a copy of our recent Investor Presentation.

Yours Faithfully



Andrew Dash
Managing Director





carbon**energy**
resource. technology. markets.

Carbon Energy

Low cost, low emission energy has arrived

Andrew Dash Managing Director

December 2010



Important Statements

Disclaimer

The information contained in this presentation is given without any liability whatsoever to Carbon Energy Ltd or any of its related entities or their respective directors or officers, and is not intended to constitute legal, tax or accounting advice or opinion. No representation or warranty, expressed or implied, is made as to the accuracy, completeness or thoroughness of the content of the information. The recipient should consult with its own legal, tax or accounting advisers as to the accuracy and application of the information contained herein and should conduct its own due diligence and other enquiries in relation to such information.

The information in this presentation has not been independently verified by Carbon Energy Ltd. Carbon Energy disclaims any responsibility for any errors or omissions in such information, including the financial calculations, projections and forecasts set forth herein. No representation or warranty is made by or on behalf of Carbon Energy that any projection, forecast, calculation, forward-looking statement, assumption or estimate contained in this presentation should or will be achieved.

Please note that, in providing this presentation, Carbon Energy has not considered the objectives, financial position or needs of the recipient. The recipient should obtain and rely on its own professional advice from its tax, legal, accounting and other professional advisers in respect of the addressee's objectives, financial position or needs.

This presentation does not carry any right of publication. This presentation is incomplete without reference to, and should be viewed solely in conjunction with, the oral briefing provided by Carbon Energy. Neither this presentation nor any of its contents may be reproduced or used for any other purpose without the prior written consent of Carbon Energy.

Competent Person

The information in this presentation (where it relates to resources) is based on information compiled by Dr C. W. Mallett, Executive Director Carbon Energy Limited who is a member of the Australian Institute of Mining and Metallurgy. Dr Mallett has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Mallett consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

The reserve estimates used in this document 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.



Carbon Energy is...

- Building a global energy company
- Converting solid coal into gas (syngas), underground - (UCG)
- Producing low-cost energy
- Lowering emissions
- Determining multiple uses for syngas – e.g. power generation, fertiliser production and gas-to-liquids (GTL) projects
- Creating a growing cash flow, robust profit margins and increasing shareholder wealth.



Carbon Energy (CNX)

Strategic Focus

“To produce clean energy and chemical feedstock from UCG syngas”

Shares on issue 609 million

Highly liquid with 140-150% turnover

Market Capitalisation: \$243 million (@ \$0.40ps)

Admitted to S&P/ASX 300 Index September 2008

- S&P/ASX Energy Index
- S&P/ASX Oil and Gas Explorers Index

Major Corporate and Institutional Shareholders

- Corporate (Incitec Pivot Limited) 11%
- Institutional 9%
- Pacific Road Resources Fund 5.1%
- Pacific Road Investor 4.9 %
- CSIRO 4.8%



Executive Management team

Andrew Dash (CEO) and Managing Director

BE(Chem), Mcom.

Andrew is responsible for the overall performance, leadership and growth of Carbon Energy. In addition Andrew is a Company Director and together with The Board sets the strategic direction of our expanding organisation..Company growth will be achieved through development of suitable UCG projects both in Australia and overseas, either in our own right or through joint venture partnerships. Andrew has extensive energy sector experience, with particular focus in the commercial development of gas operations and associated infrastructure on a national scale.

Dr Cliff Mallett - Technical Director - UCG

MSc, PhD, FAIE –

Cliff is responsible for the ongoing development of Carbon Energy's UCG technology. Additionally, Cliff undertakes assessment of potential coal deposits that may be suitable for the Company's expanding portfolio of Australian and international projects. Cliff s been associated with advancing the development ("UCG") process technology for more than 15 years. Cliff has degrees in Geology from the University of Queensland and the University of Melbourne. He has almost 30 years experience in mining research at CSIRO culminating in acting as Chief of CSIRO Exploration and Mining Division, interim Director of the Centre for Low Emission Technology, and Executive Manager, Queensland Centre, Advanced Technologies.

Prem Nair - Chief Financial Officer and Company Secretary

B Bus (Acctg), MBA, FCA, FCIS, FTIA, MAICD

Prem is responsible for financial management within Carbon Energy, which covers financial and corporate regulatory compliance and reporting. Additionally Prem and his team cover Human Resource management and Information Technology support .Prem has over 30 years experience in the accounting profession and commercial arena. His experience includes leading finance teams in public listed entities covering exploration, resources, technology and construction industries. He has over 20 years experience in corporate governance and company secretarial roles.

Andy Mifflin –Chief Operating Officer

BSc (Hons), MBA

Andy has overall responsibility for site development and operations as well as the technical implementation of the UCG technology. Over the coming months the Bloodwood Creek site will expand from being a single panel (for UCG Gas production) to multi-panel gas production facility with integrated power generation capabilities. In his capacity, Andy also has technical responsibility for the upcoming pilot site planned for Chile as well as assessing other areas of interest. Andy is a professional mining engineer with over 30 years experience in senior management roles in Australia and the UK. He has significant experience in the development and operation senior roles with AMCI/Vale Australia, Centennial Coal and Xstrata/MIM.

John Bidwell General Manager Project Development

John is responsible for Carbon Energy's growing list of projects including the 5MW power plant currently under construction . In parallel, John is working on the Company's planned Stage 2 project a 25MW. John also has leadership of the Project Delivery Team for the Chilean project in conjunction with the Company's partners Antofagasta Minerals SA. John has held business leadership, management, and operational positions in Australia, New Zealand and South America, in energy and related infrastructure sectors.

Peter Swaddle - General Manager Commercial

Peter is primarily responsible for all external relationships. This activity covers business development with current and potential partners, project opportunity assessment, government and investor relations, plus marketing activities. Peter is a Senior Commercial and Marketing Executive with over 16 years experience with two of Australia's major national brand leaders. Peter has a proven track record in commercial development and strategic brand positioning with extensive experience in both product development and project management.



A Global Energy Company – *Key Assets*

- Unique, world-leading UCG technology developed by CSIRO
- ~668Mt of coal resources (JORC indicated and inferred) suitable for UCG in Queensland
- Australia's first commercial UCG-to-power plant :
 - *5MW pilot plant to be commissioned early 2011*
 - *Subsequent expansion phases to 25MW and 300MW planned*
- JV with Antofagasta to develop UCG projects in Chile

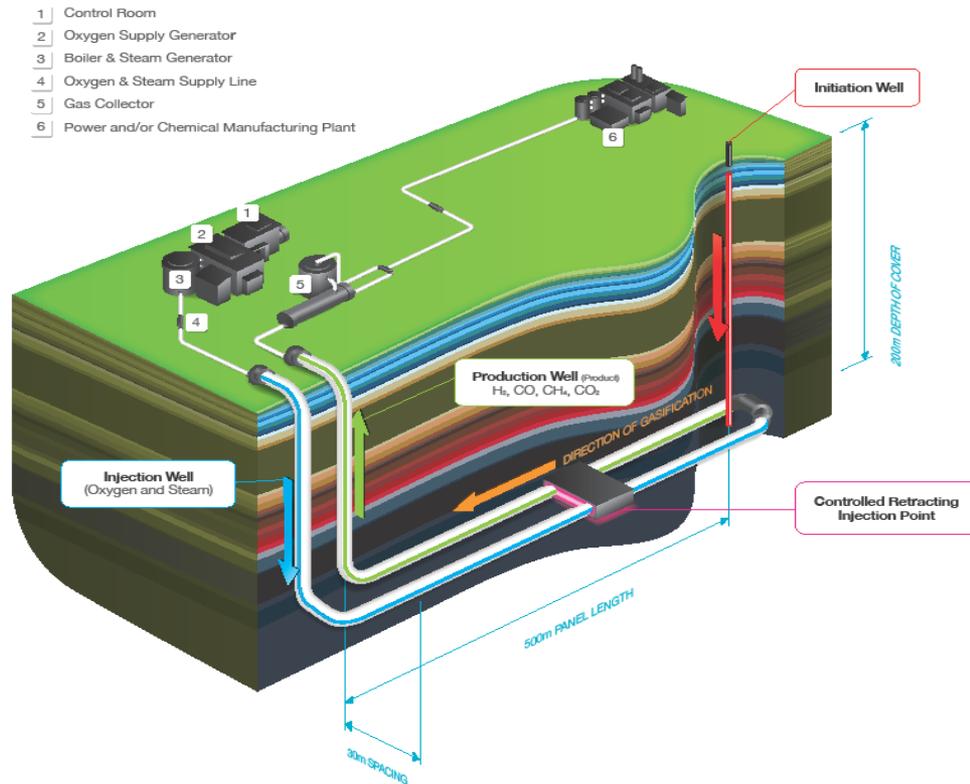


Carbon Energy unique – UCG design

Controlled
in-chamber
reaction

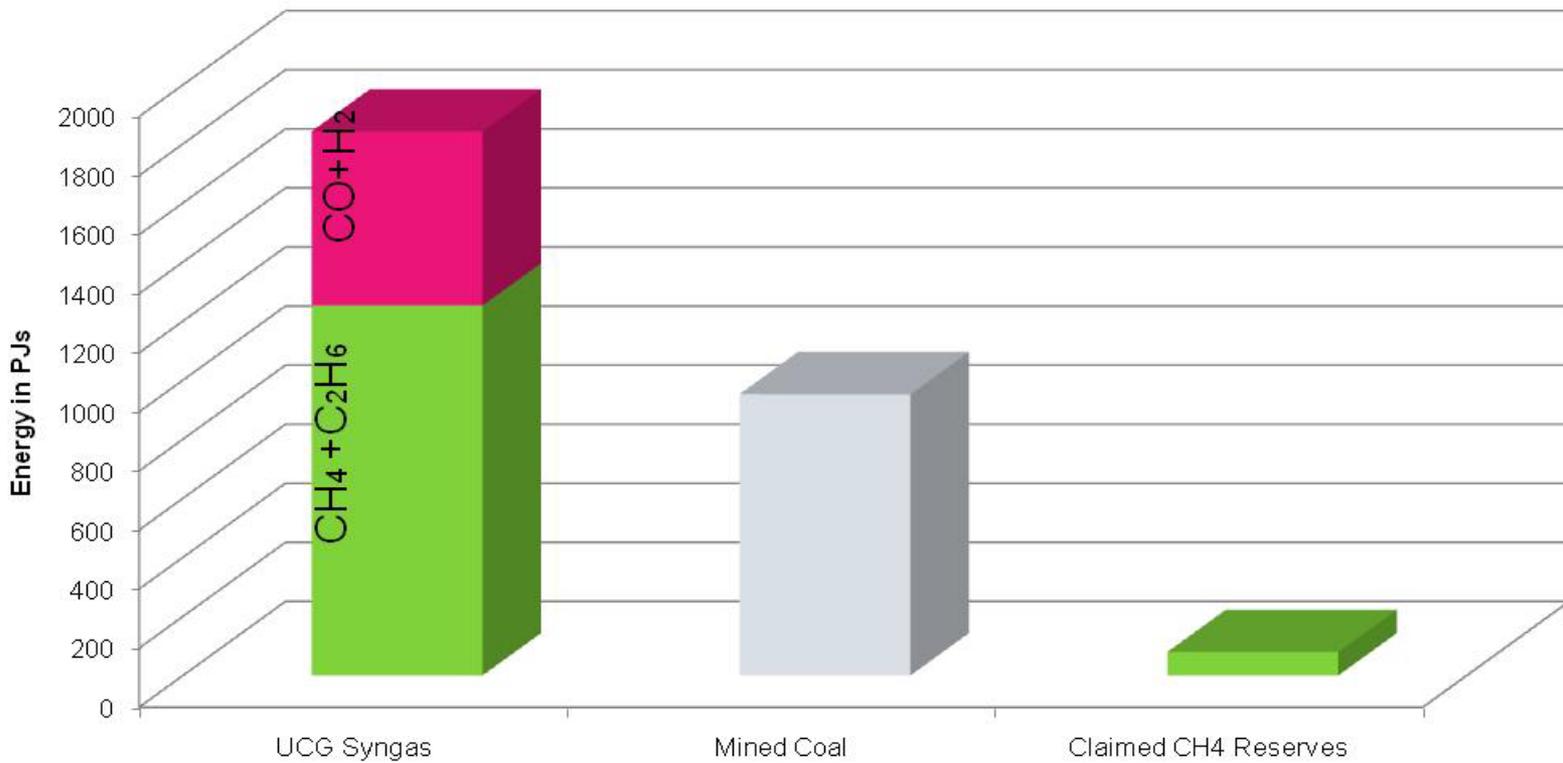
Utilising
deep coal

Produces
energy-rich
gas (syngas)





Producing Low-Cost Energy



Energy extraction by method for a typical 13.3 Km² deposit

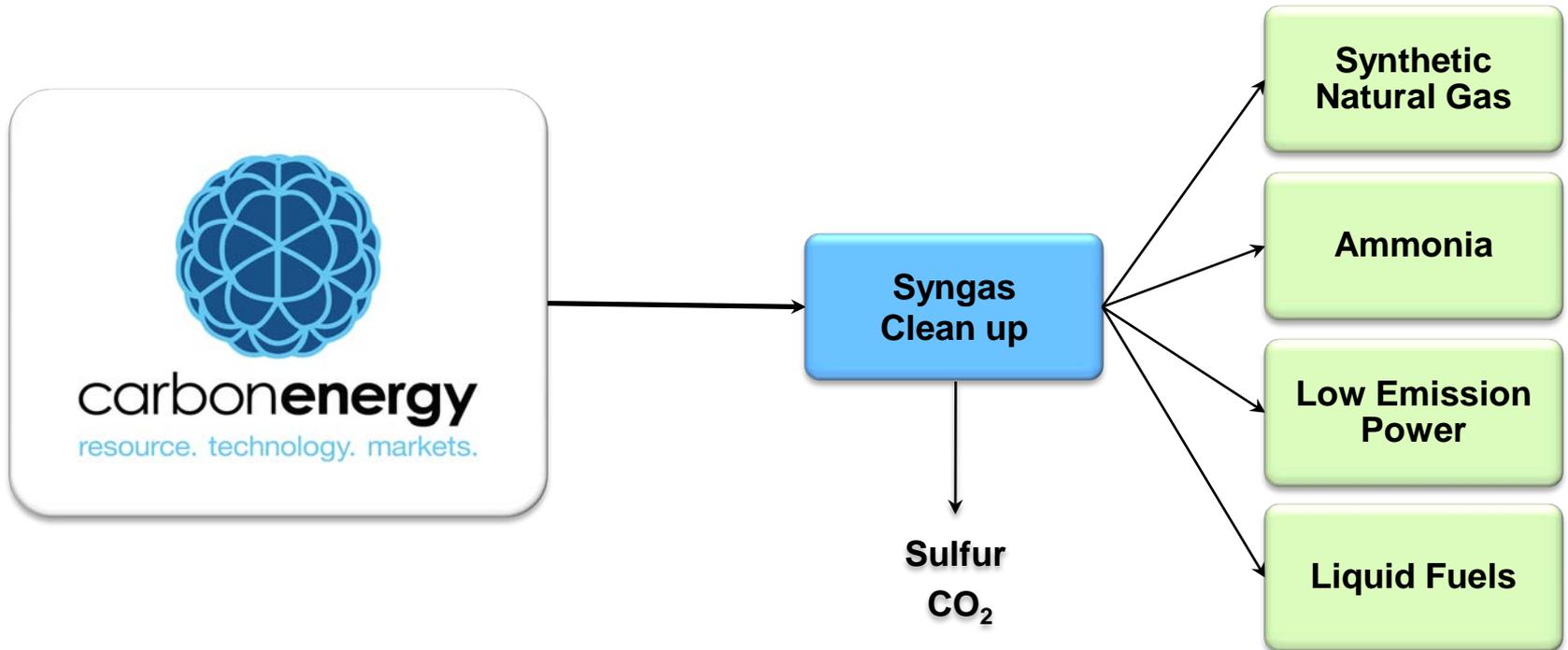


Producing Energy with Lower Emissions

- Significant environmental benefits – low surface impact and small footprint
- Produces 20 times the energy from the same area compared with coal seam gas
- Electricity generated using UCG syngas produces 10-20% lower CO₂ emissions than conventional power plants
- Increased efficiency in capture and storage of CO₂
- Process is groundwater neutral



Syngas Product Opportunities





2010

The Company is in a period of growth and transition

- Building operational and gas production history.
- Building additional technical expertise - 5MW Power Station and the construction of new Panels 2 & 3.
- Investing in additional people, skills and knowledge transfer.
- Building the Company's 1st international project in Chile.



Milestones – Past 12 Months

- **Dec 09** **Agreement signed with Antofagasta Minerals (Chile) for International Power Project**
- **Dec** **Third Party Certification of Gas Reserves**
- **Apr 10** **Decision to use Panel 2 (not Panel 1) as the primary fuel source for the 5MW Power Plant**
- **May** **Pacific Road Completes Acquisition of 10% Stake in Carbon Energy**
- **July** **DERM Environmental Evaluation Request**
- **Aug** **Environmental Approval Obtained for UCG Project in Chile**
- **Aug** **Carbon Energy Submits Environmental Evaluation of Bloodwood Creek Site to DERM**
- **Aug** **Drilling Program for UCG Panel 2 Successfully Completed**
- **Sep** **Phase 2 Power Station Development Agreement Executed with Arcadia Energy Trading**
- **Nov** **DERM Accepts Carbon Energy's Report as Addressing Environmental Evaluation Notice**



Indicative Milestones – Next 12 Months

- **UCG Panel 2 & 5MW plant (subject to DERM approvals)**
 - Initiate Panel 2 (Dec 10)
 - Establish consistent gas and commence testing engines (Jan-Feb 11)
 - Ramp up to 5 MW, complete powerlines and export electricity to the grid (Mar 11)
- **Queensland**
 - Execution of Agreement for Arcadia to purchase 25MW power offtake from Carbon Energy
 - FEED study and planning for 25MW power station
 - Initiate studies for 300MW power station in partnership with Arcadia
- **International**
 - Chile: Commence drilling, construct surface facilities and commence operations
 - North America: Open North America office to develop US projects
 - Seek to close negotiations for access to coal in key target markets
- **Downstream Products**
 - Detailed studies for Synthetic Natural Gas (SNG) to create pipeline quality, transportable gas
 - Detailed studies for Ammonia production



2010 - challenges

Environmental Evaluation request from Queensland Government Department of Environmental and Resource Management (DERM)

- 19 July 2010 - Environmental Evaluation related specifically to containment of process water on site 2009.
- A comprehensive soil testing program was undertaken and independently assessed by a tier 1 Environmental Consultancy, which confirmed that there was no ongoing effects or environmental harm.
- 16 November 2010 - DERM advised it had accepted the Company's environmental report as addressing the requirements of the Environmental Evaluation.
- Currently DERM has advised that it intends to amend some of the environmental conditions for the site to reflect the outcome of the environmental report and the Company's proposed mitigation measures, prior to the commencement of Panel 2. Documentation submitted to DERM in late November. The Company is working with DERM to expedite review and approval.



2010 Progress

Resource

In December 2009 Carbon Energy, in a world first, obtained independent certification of its UCG syngas reserves in accordance with SPE Guidelines;

GROSS GAS VOLUMES (PJ)

- | | |
|---|---------|
| • 1P Reserve (Proven) | 11.0 |
| • 2P Reserve (Proven + Probable) | 743.9 |
| • 3P Reserve (Proven + Probable + Possible) | 1,042.8 |

The reserve estimates were compiled by Mr Timothy Hower of MHA Petroleum Consultants, Colorado, USA, a qualified person under ASX Listing Rule 5.11. The 2P reserves identified by MHA are centred on the southern half of Carbon Energy's MDL 374 and are contained within an area which is approximately 20% of the MDL. Consequently, there is significant potential to add to these reserves within the MDL through additional exploration drilling.



2010 - Progress

Technology

- Construction of Phase 1 - 5MW Power Station
- Panel 2 successfully drilled and aboveground infrastructure & connection to Power Station in place
- Panel 3 underground infrastructure successfully completed
- Gas engines tested
- Powerline inter-connection to local grid - to be completed





2010 - Progress

Technology – Concept Study

- Study commissioned in conjunction with Incitec Pivot Limited and conducted by internationally recognised consultants Ammonia Casale
- Study considered the use of Carbon Energy's UCG syngas for:
 - Manufacture of ammonia in pre-defined commercial quantities
 - Manufacture of ammonia combined with a 300MW power station
 - The production of synthetic natural gas (pipeline quality gas)
- **Initial findings indicate that Carbon Energy's UCG syngas has the potential to reduce the capital costs of producing ammonia and that pipeline quality gas (synthetic natural gas) can be produced at market competitive rates**
- More detailed engineering work and financial modelling will now be undertaken



2010 - Progress

Markets – Power Station Development Agreement

- Agreement signed in September 2010 with Arcadia Energy Trading, affiliated with UK based Arcadia Petroleum and part of the Farahead Group of companies.
- A framework agreement that provides for:
 - Arcadia to enter into a long term Power Purchase Agreement for electricity produced by Carbon Energy’s planned 25MW Power Station at Bloodwood Creek,
 - Arcadia to own the 25MW power station and enter into a long term Gas Supply Agreement, subject to certain conditions being met, and
 - Carbon Energy & Arcadia to partner in the development of Carbon Energy’s 300MW Power Station at the Company’s proposed Blue Gum Energy Park.



2010 - Progress

Markets - Chile

- Agreement signed in December 2009 with Antofagasta Minerals S.A. to jointly assess and develop a coal deposit in Mulpun (near Valdivia)
- Located in southern central Chile, 800km south of Santiago Focusing on Power Generation

Chilean electricity demand growing by 8% p.a

Currently reliant on imported coal, LNG and Diesel

- Site evaluation completed for the trial project including seismic assessment and syngas production modeling.
- Completing a detailed work plan and budget for the initial trial project,
- Local Environmental Approvals received in August 2010
- Market study completed



2011 – next 12 months

5MW Power Station (Phase 1)

- Commissioning of Panel 2
- Commissioning of Gas Engines
- Electricity Generation – power our site
- Electricity connection into local Grid
- Mid-year commissioning of Panel 3

25MW Power Station (Phase 2)

- Development Agreement already in place with Arcadia Energy Trading
- Power Purchase Agreement under negotiation
- Project planning already commenced





2011 – next 12 months

Blue Gum Energy Park (Phase 3)

- Land Purchased
- Mining lease application underway
- Development Agreement signed with Arcadia Energy for the Development of a 300 MW Power Station
- Work to continue on the next phase pre-feasibility for the production of Ammonia and Synthetic Natural Gas





2011 – next 12 months

Chile Power Project

- Completion of a detailed design plan and budget for the initial trial project.
- Front End Engineering and Design due to commence 1st Quarter 2011.
- Finalisation of Joint Venture structure
- Initial drilling for pilot project due to commence Q1 2011
- Construction of above ground facilities
- Commencement of Commercial Pilot





2011 – next 12 months

International Opportunities

- The International Energy Agency forecast in its World Energy Outlook 2010 that coal will maintain its position as the leading source of power generation globally for at least the next 25 years
- The World Energy Council estimates UCG could potentially increase global coal reserves by as much as 600 billion tonnes – approx 70% increase in proven coal reserves worldwide
- Carbon Energy is now recognised internationally as one of the few companies with the advanced technology to convert otherwise stranded coal resources into a commercial reality
- Discussions are advancing with a number of parties for access to coal in key international markets, in particular North America and Europe



Summary – Strategy on track

Queensland

Expanded Resource achieved (JORC compliant) and Gas Reserves
UCG Panels 2 & 3 – successfully constructed
5MW Power Station – due to be commissioned
25MW Power Station – project planning in advanced stages
Pre-feasibility Ammonia and Synthetic Natural Gas production
Land purchased (Blue Gum) for future expansion and Mining Lease approvals underway.

International

Mulpun Energy project underway – pilot panel to be constructed 2011
Market opportunities are significant and discussions are advanced with key focus on North America, Europe.



carbonenergy
resource. technology. markets.



Thank You

Carbon Energy

Low-cost, low-emission energy has arrived

Andrew Dash – Managing Director December 2010