



**CarbonEnergy**

20 November 2009

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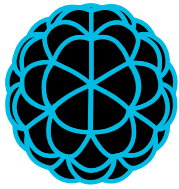
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**CARBON ENERGY LIMITED  
ANNUAL GENERAL MEETING OF SHAREHOLDERS – 20 NOVEMBER 2009  
CHAIRMAN'S & MANAGING DIRECTOR'S ADDRESSES**

Carbon Energy Limited (ASX Code CNX) will present the attached Chairman's and Managing Director's Addresses at the Annual General Meeting of Shareholders being held at the Avro Room, Royal on the Park Hotel, 152 Alice Street, Brisbane, this morning. The Meeting will commence at 9.30 am.

For and on behalf of the Board

Prem Nair  
CFO & Company Secretary



**CarbonEnergy**

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**CARBON ENERGY LIMITED  
ANNUAL GENERAL MEETING NOVEMBER 20, 2009**

**CHAIRMAN'S ADDRESS**

This is the second AGM held since the Company changed its name and refocused its business strategy in mid-2008. Following that watershed event in the Company's history we have steadily implemented a long-term, clear and well-articulated plan to build shareholder wealth over time.

Our Company's fundamental investment proposition remains compelling. We intend to become Australia's leading producer of clean energy and chemical feedstock from Underground Coal Gasification (Syngas) and to service unmet demand from customers seeking a reliable energy supply from a preferred provider offering a well-priced and sustainable product with minimal environmental impact.

To achieve our objectives and thus set Carbon Energy on a path of continued growth and profitability we are building strategic business alliances and have already established a clear path to market.

The Company's growth strategy has three key elements. First, we are building a portfolio of local and international coal resource assets suitable for the production of UCG Syngas. Secondly, we are continuing to benefit from and exploit the competitive advantage delivered by our patented and superior technology developed in conjunction with the CSIRO. Lastly, we are identifying key markets and forming commercial alliances and business partnerships as close as possible to resource centres and key infrastructure.

In addition, management continues to assess the market potential of all Syngas applications, including its use in the production of synthetic natural gas and agribusiness products such as fertiliser.

**Key Events of 2008/2009**

In the past year the Company passed a number of important milestones in our operational development and we continued to strengthen our capital structure and cash position. Let me summarise the Company's key achievements during 2008/2009 at both corporate and operational levels.

Having made the decision last year to focus exclusively on the development of UCG technology, Board and management undertook a review of our existing minerals assets to assess their capacity to generate long-term returns for shareholders. As a result of this review we announced in August 2009 the sale of our gold assets to Crescent Gold Limited for \$2.5 million in cash (plus \$1.5 million deferred consideration) and an IPO for our uranium assets by the end of this calendar year. This process will release the embedded value of these assets and include a priority entitlement for our shareholders.

Last month we finalised the sale of our 6 per cent shareholding in Magma Metals, thus completing our program of non-core asset divestment. To date, \$9 million has been raised from the divestment program and these additional funds will provide the Company with flexibility to fast track additional commercial opportunities both in Australia and internationally.

In terms of the balance sheet, in June 2009 we successfully completed a share placement of approximately 74.4 million ordinary shares at \$0.43 per share to raise \$32 million. The issue was oversubscribed with strong interest received from both domestic and overseas institutional and sophisticated investors.

The funds raised are being applied primarily to the further development of the existing UCG project at Bloodwood Creek near Dalby in Queensland and to the wider commercial advancement of Carbon Energy's UCG technology. Specifically, the funds will be used to support the installation of new power generation facilities to be rolled out in 2009 and 2010. These facilities will provide good cash flow for the Company and will demonstrate the longer-term viability of commercial scale gas production to potential off-take partners.

While I shall leave Andrew to detail the operational achievements of the Company during the year I would like to flag several important developments during the year that marked the steady progress of Carbon Energy towards commercialisation.

In October 2008 construction of the Bloodwood Creek plant was completed on time and under budget. This was a great achievement and enabled management to conduct a 100-day trial of the Syngas process at the plant early in 2009.

The results of the trial conclusively demonstrated, on a commercial scale, the Company's UCG oxygen injection-based process. The trial reinforced Carbon Energy's potential as a major contributor to Queensland's energy industry and status as a significant new entrant in the developing low emission power generation industry and domestic gas industries.

At the start of 2009 the Company's drilling program yielded results that confirmed that our total resources have risen from 297 million tonnes to 668 million tonnes (indicated and inferred) for coal seams greater than 2 metres thick.

364 million tonnes of this resource is in coal seams greater than 5 metres thick which are an optimal target for underground coal gasification.

To give these figures some perspective, ladies and gentlemen, the energy the Company could recover solely from coal seams greater than 5 metres thick is approximately equivalent to 50 per cent of Queensland's current electricity demand for more than 15 years or Brisbane's entire current natural gas demand for more than 60 years! These figures illustrate the enormity of the commercial opportunities that await us.

During the year Carbon Energy forged a number of important strategic alliances with Syngas resources and off-take partners across Australia. Andrew will update shareholders on the current status of these arrangements but suffice to say that the most important individual agreements for Carbon Energy's commercial future are those between our Company and Ergon Energy, ZeroGen, Eneabba Gas and Liberty Resources. We will continue to build our network of resource, industry and off-take agreements in the current year.

I should highlight another two significant achievements during the year. In September 2008 Carbon Energy was included in the S&P/ASX300 Index for the first time and early in 2009 we were very pleased to receive an assurance from the Queensland Government regarding security of tenure over our UCG tenements.

This decision, for which the Government should be congratulated, gave us the long-sought clarification we needed regarding the issue of priority access in relation to overlapping tenements between the UCG and Coal Seam Gas industries and we welcome the certainty this decision has afforded us.

### **Board Changes**

I have already introduced my fellow Board members but let me comment briefly on changes to the composition of the Board during the year, including the appointment of Andrew Dash as Managing Director.

The technical skills and knowledge of the Board have been greatly enhanced by the appointment of former Executive Directors Ian Walker and Max Cozijn as Non-Executive Directors. Peter Hogan joined the Board in August 2008 as a Non-Executive Director and nominee of Incitec Pivot and we welcome Peter's important input to our deliberations.

In May of this year Dr Shad Linley, a Director since July 2008, resigned due to other business commitments and we thank Shad for his contribution to the development of the Company's strategy.

### **Thanks to Employees and Shareholders**

We could not have achieved our considerable progress without the commitment of all of our employees, led most capably by Andrew Dash, and I thank each of them for their hard work and dedication.

In closing I would also like to thank you, the shareholders, for your continuing support as we work to achieve Carbon Energy's goal of becoming a world leader in the production of clean energy and chemicals from UCG Syngas.



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# Annual General Meeting

# Carbon Energy

Andrew Dash – Managing Director

20<sup>th</sup> November 2009



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# Statements

## Disclaimer

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## 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.



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# Carbon Energy (CNX)

## Strategic Focus

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



# Strategy

To achieve our business goals Carbon Energy are pursuing a simple strategy that encompasses 3 key elements, these being;

## 1. Resource Availability

Carbon Energy's strategy is to build a portfolio of coal resource assets suitable for UCG, both in Australia and internationally.

## 2. Superior Technology

Carbon Energy's proprietary technology incorporates sophisticated modeling tools and UCG methodology – enabling the company to take a market leading position.

## 3. Ready Access to key Markets

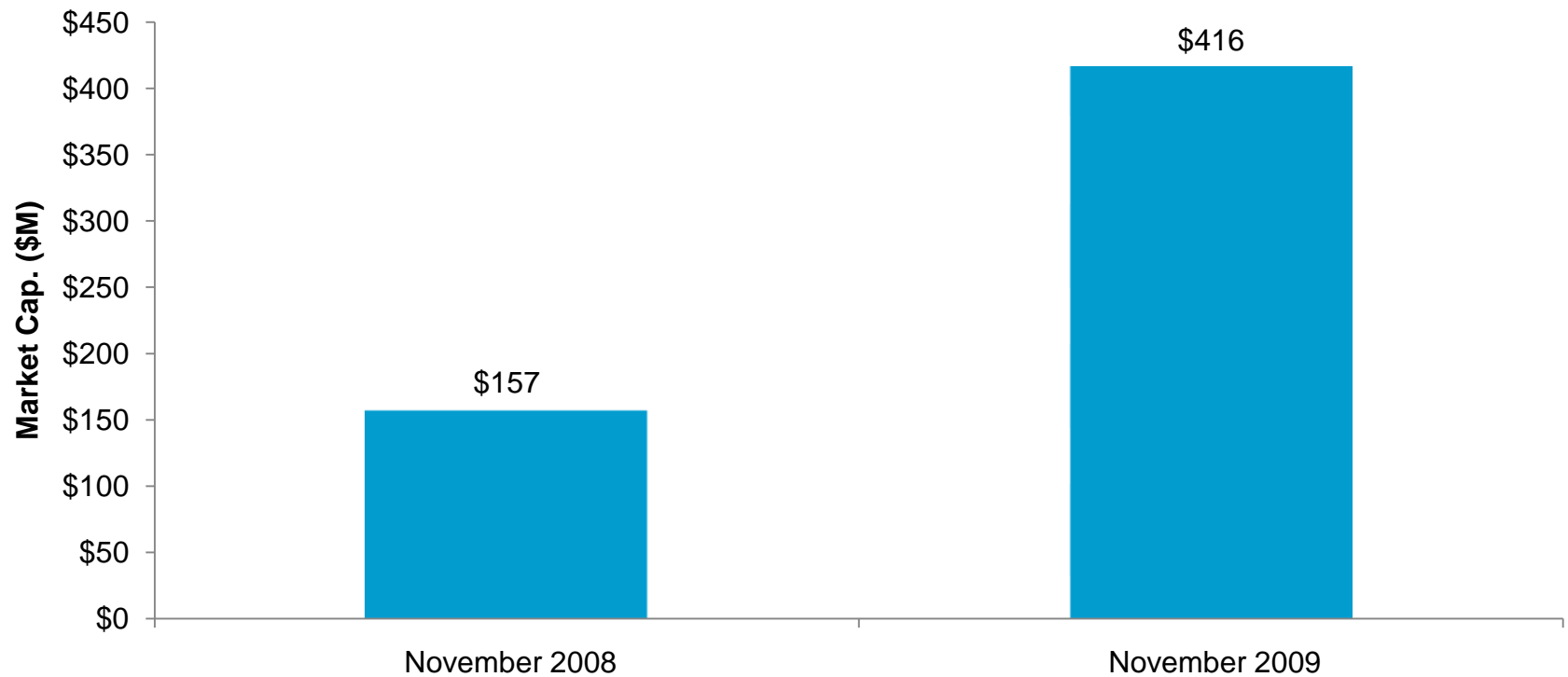
Location, product mix and partner capabilities, involves identifying suitable resource availability located within close proximity to key markets and infrastructure.



## Milestones – Past 12 Months

Nov	Commercial volumes achieved – 100 day trial commences
<b>Feb`09</b>	<b>Trial complete (gasification and data collection continues)</b>
Feb	Government Policy Delivers Certainty of Tenure for CNX
Mar	Results Increase Energy Production Potential– Gas composition announced
Mar	Coal Resource Upgrade Exceeds Expectations (668 Mt )
April	HOA to acquire WA coal resource and secure foundation Gas Sale Agreement
June	Capital Raising – First tranche completed
June	Completed Pre –Feasibility for Power Gen, Synthetic Natural Gas and Chemicals
<b>July</b>	<b>Off take for Electricity agreement signed with Ergon Energy</b>
<b>July</b>	<b>5MW Power station construction commence</b>
Aug	Sale of Gold asset and spin out of uranium tenements announced
Oct	Sale of interest in Magma Metals
Nov	5MW construction on track – mid construction event held 19 <sup>th</sup> Nov

## Market Capitalisation





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## Strategy 1: Resource Availability

Expand coal resource to 1 billion tonnes by June 2010

### **WA (Eneabba)**

- 23% increase in residential gas price tariffs approved
- 25% increase in electricity tariffs approved
- wholesale gas prices as high as \$14-16/GJ
- energy security of supply issues

### **QLD (Liberty)**

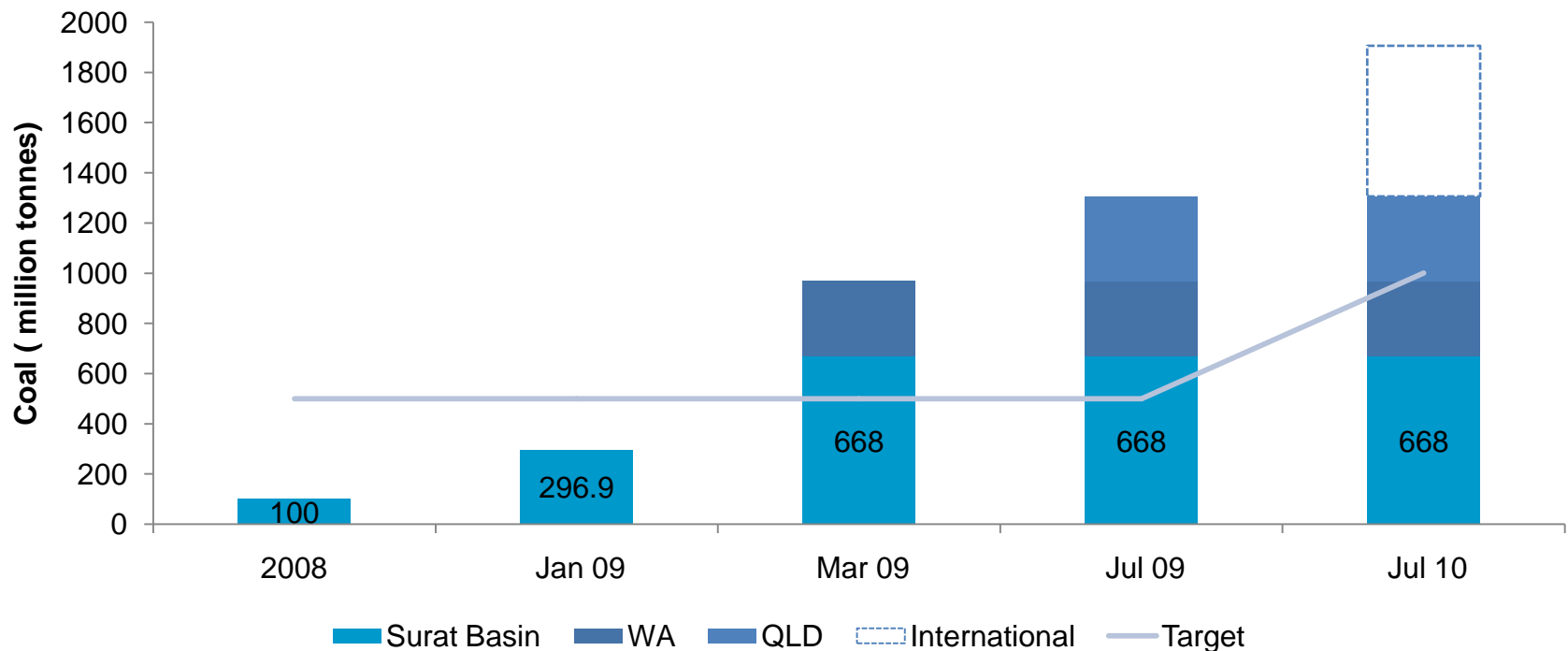
- Galilee Basin next big thing for energy supply
- Gas security of supply issues
- LNG to drive increase in domestic gas prices

### **International**

- Large Coal reserves
- small domestic LNG and gas market
- energy security of supply issues

## Resource availability\*

Expansion of Surat Basin resource to 668 Mt<sup>#</sup> against a target of 500 Mt.  
Additional resource under investigation following WA and QLD announcements,  
new target of 1000 Mt to include international expansion.



\* Volumes are representative and are negotiable with potential partners

<sup>#</sup> 668 Mt (450 Mt inferred and 218 Mt indicated with 2 M cut-off)



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## Strategy 2: Superior Technology

### Continuous Improvement UCG Technology & Development of Complementary Technologies

- Continual development of UCG capability
  - 12 months of operations
  - 2<sup>nd</sup> panel Q1 2010
- Addition of Carbon Capture and Storage (CCS) capability
  - **Geo-sequestration** announced
  - **Bio-sequestration** under investigation



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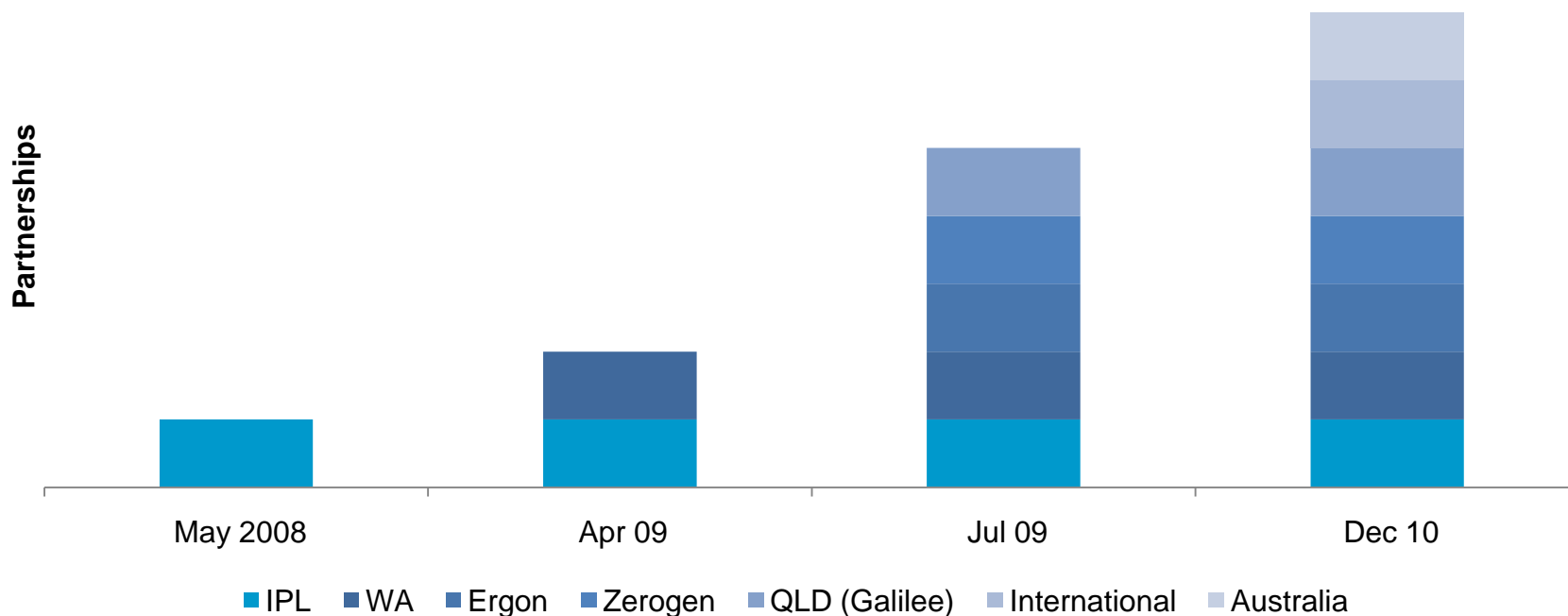
## Strategy 3: Ready access to markets

### Identify and Develop Commercial Opportunities

- 5MW plant commissioned December 2009
- Commitment to 20MW project Q1 2010
- Establish commercial terms for major Australian project
- Establish commercial terms for an international project by June 2010

## Ready access to markets

Partnerships with Ergon Energy for 5MW energy offtake, Eneabba and Liberty for additional resource and Zerogen for commercial scale Carbon Capture and Storage





# Power Generation

## Phase

1

Power Plant size	5MW (electricity for 4,000 homes pa)
Location	Bloodwood Creek (Queensland)
Off-Take Agreement	Ergon Energy (Qld Gov owned Corp)
Network Connection	Ergon Network
Project commenced	July 2009
Capital Expenditure	\$8 million
<b>Revenue</b>	<b>\$2 million p.a (approximately)</b>
<b>First Generation</b>	<b>January 2010</b>



# Power Generation

# Phase

# 1

Construction of the power facility underway –



Foundations being laid



Gas engines being positioned  
On site



Equipment arriving on site



# Mid Construction – Event 19<sup>th</sup> November



L to R: Kim Robinson (Chairman), Michael Choi (Parliamentary Secretary to the Minister for Natural Resources, Mines and Energy), Andrew Dash (Managing Director), Ray Brown (Mayor Western Downs Regional Council)

# Power Generation

## Phase

# 2

Power Plant size	20 – 25 MW
<b>Scope to include</b>	<b>Carbon Capture &amp; Storage</b>
Location	Bloodwood Creek (Queensland)
Network Connection	Local distribution system
Commercial	Partner discussions -underway
FEED	Commence August
FID	Q1 2010
First Generation	Approx 12 Months later



# Clean Coal Process



- 30 – 50% reduction in capex
- Lower environmental impact
- UCG lowest cost pathway to clean coal





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# Power Generation Blue Gum Energy Park

Phase

3



- 1 - Central gas processing and Gas Power-Station
- 2 - Ammonia Plant
- 3 - Chemical Plant
- 4 - Transport Fuel manufacture

- 5 - Synthetic Natural Gas manufacture
- 6 - Commercial and Administration Facilities
- 7 - Carbon Energy's existing UCG facility (Bloodwood Creek)



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## Summary – Strategy on track

### **Queensland**

- Expanded Resource achieve (JORC compliant)
- 5MW Power Plant underway
- 20MW Power Plant – Planning and Partnering in advanced stages
- Land purchased (Blue Gum) for future expansion and Mining Lease approvals underway
- Heads of Agreement signed in July with Liberty Resources for potential JV project in the Galilee Basin (QLD)

### **Other States**

- Drilling program progressing – Sargon Group tenements (WA)
- Targeting other potential Australian coal resources

### **International**

- Market opportunities are significant and discussions are advanced with key focus on North and South America