

INTERNATIONAL EXPANSION

Our launch into both the North American and European markets underpinned our transformation into a truly international energy business.

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. In addition, the World Energy Council estimates UCG could potentially increase global coal reserves by as much as 600 billion tonnes; approximately a 70% increase in proven coal reserves worldwide.

We are now recognised internationally as one of the few companies with the advanced coal technology capable of converting otherwise stranded coal resources into a commercial reality.

In line with our strategy, we executed a Share Sale Agreement in February 2011 to acquire Clean Coal Incorporated and Clean Coal Amasra Limited. This transaction delivers energy project opportunities in North America and Europe. The acquisitions have the potential to increase Carbon Energy's coal resources by almost three fold to in excess of 2 billion tonnes of additional coal resource in highly attractive energy markets.

A summary of each project follows:

- Wyoming Project, USA: includes rights to explore and lease coal tenements with Anadarko Land Corporation over 113 km².
- Montana - North Dakota Project, USA: includes rights to explore and lease coal tenements with Great Northern Properties (subsidiary of the Quintana Capital Group) in an area over 276km².
- Amasra Project, Turkey: Carbon Energy will establish a 50/50 Joint Venture Agreement with Hema Endustri (subsidiary of the diversified Hattat Group) to develop UCG projects in Hema's coal tenements in Amasra northern Turkey. Carbon Energy is responsible for initial pilot costs, while the joint venture company is responsible for production royalties to state-owned mining company, Turkish Hard Coal Enterprise ("TTK").

Our key commercial criterion for these projects is a resource of 500 million tonnes of Inferred coal resources and 100 million tonnes of Indicated coal resources at each of the three locations. Each of these projects will enable us to establish relationships with strategic partners in key energy markets and also diversifies regulatory and market risk.



Project site, Wyoming, United States



Establishment of access road, Mulpun, Chile



Proposed site, Amasra, Turkey



Dr Cliff Mallett (right) with Hema geologists, at Amasra, Turkey