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4 March 2011

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RE: Carbon Energy Limited – Conference Presentation

Carbon Energy Limited (ASX Code: CNX) is pleased to provide a copy of the Presentation slides for the ASX Spotlight Series Conference in New York and London (next week) by Andrew Dash, Managing Director .

Yours Faithfully



Prem Nair
CFO & Company Secretary





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Carbon Energy

Low cost, low emission energy has arrived

ASX - Spotlight Conference

Andrew Dash Managing Director

New York March 2011



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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.

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 (CNX)

Strategic Focus

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

Shares on issue 670 million

Highly liquid with 60% annual turnover

Market Capitalisation: \$234 million (@ \$0.35ps)

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) 10%
- Institutional 9%
- Pacific Road Resources Fund 9%
- Pacific Road Investor 4.9 %
- CSIRO 4%



Carbon Energy is...

- Building a global energy company
- Accessing deep “stranded” coal assets
- Converting solid coal into gas (syngas), underground - (UCG)
- Producing low-cost energy with lower emissions
- Generating multiple uses for syngas - e.g. power generation, fertiliser production and gas-to-liquids (GTL) projects



Market Opportunity



- From 30 million tonnes of deep coal, UCG will recover > 300PJ energy
- 300PJ will sustain a 20PJ p.a. production rate for 15 years, sufficient for any of:
 - 300MW Power Station, or
 - World-scale Ammonia Plant, or
 - Synthetic Natural Gas Plant.
- 20PJ p.a. will generate:
 - \$70 million p.a. for 15 years @ \$3.50/GJ (indicative of QLD market)
 - \$110 million p.a. for 15 years @ \$5.50/GJ (indicative of US market)
 - \$150 million p.a. for 15 years @ \$7.50/GJ (indicative of Turkish market)

100mt supports 3 world-scale projects generating \$210M to \$450M p.a.

500mt supports projects generating \$1 billion to \$2.2 billion p.a.

1,500mt supports projects generating \$3 billion to \$6.6 billion p.a.



What are the global opportunities ?

- Energy demand is increasing worldwide and energy security will continue to be of increasing importance.
- The International Energy Agency forecast 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.



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North America

South America

Turkey

India

QLD

Project Locations

- ★ Existing Projects
- ★ Development Projects
- ★ Tender Opportunities

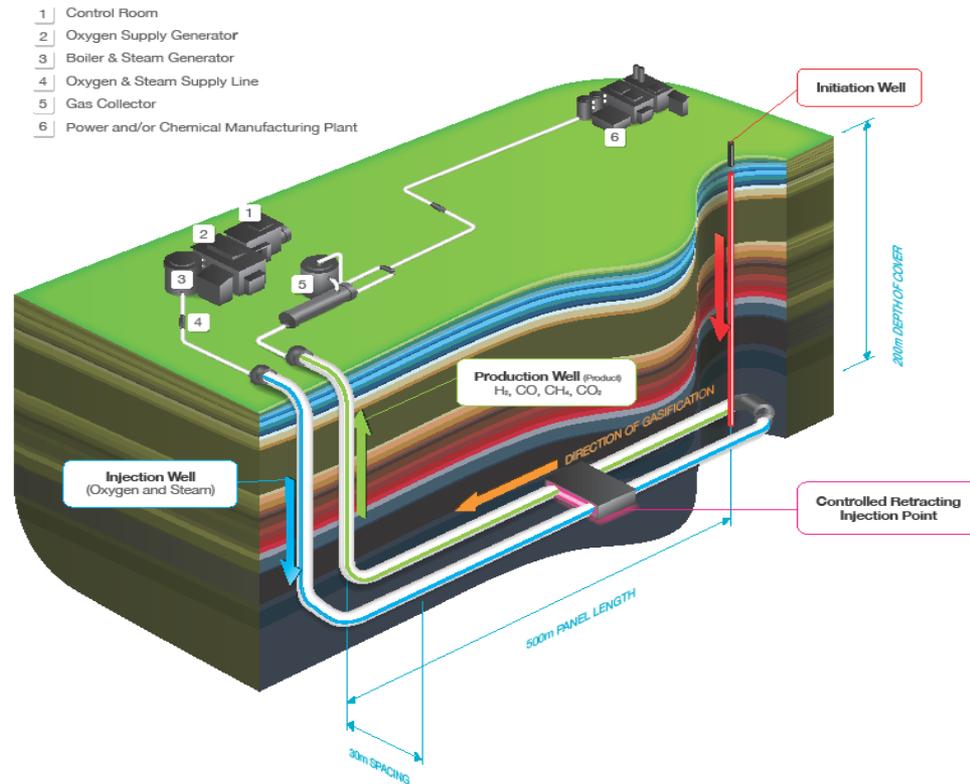


Carbon Energy Unique - UCG Design

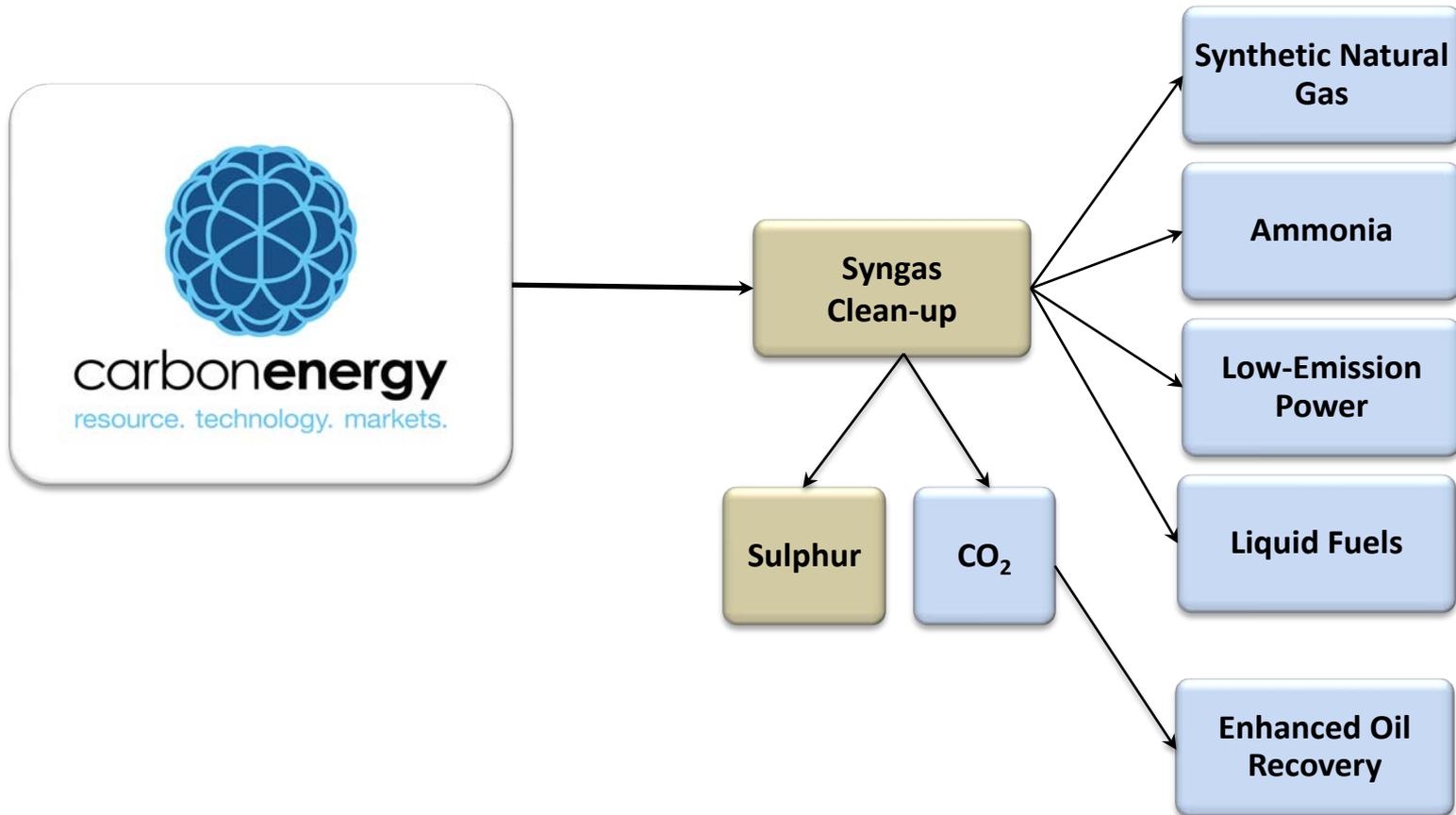
Controlled
in-panel
reaction

Utilising
deep coal

Produces
energy-rich
Gas (syngas)



Syngas Product Opportunities





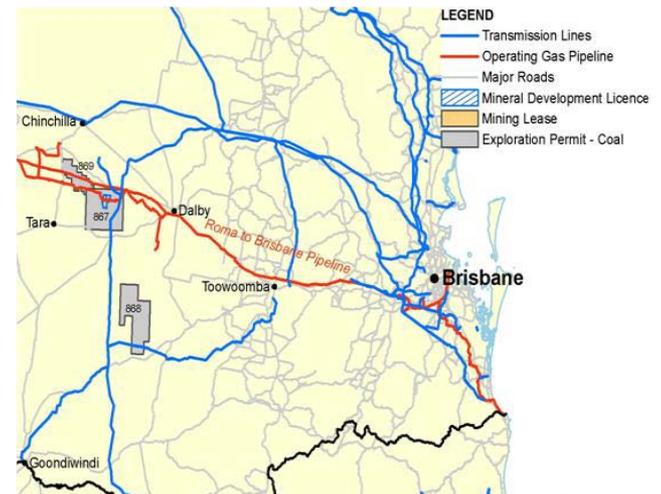
Producing energy with a lower impact

- Significant environmental advantages – 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 coal-fired power plants
- Increased efficiency in capture and storage of CO₂
- Process is groundwater neutral

Queensland Project - Bloodwood Creek

The Development of Australia's first commercial Underground Coal Gasification (UCG) fuelled power station.

- 668 Mt (450 Mt Inferred and 218 Mt Indicated with 2m cut-off) of JORC compliant coal resource
- 3P Reserve (Proven + Probable + Possible) Gas Volumes = 1,042.8 PJ
- Successful trial conducted in 08/09
- Queensland Government issued amended Environmental Approval 11 Feb 2011
- 2 new UCG panels completed and ready to initiate
- 5MW Power Station in final stages of construction



Chile – Mulpun Project

- Agreement 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



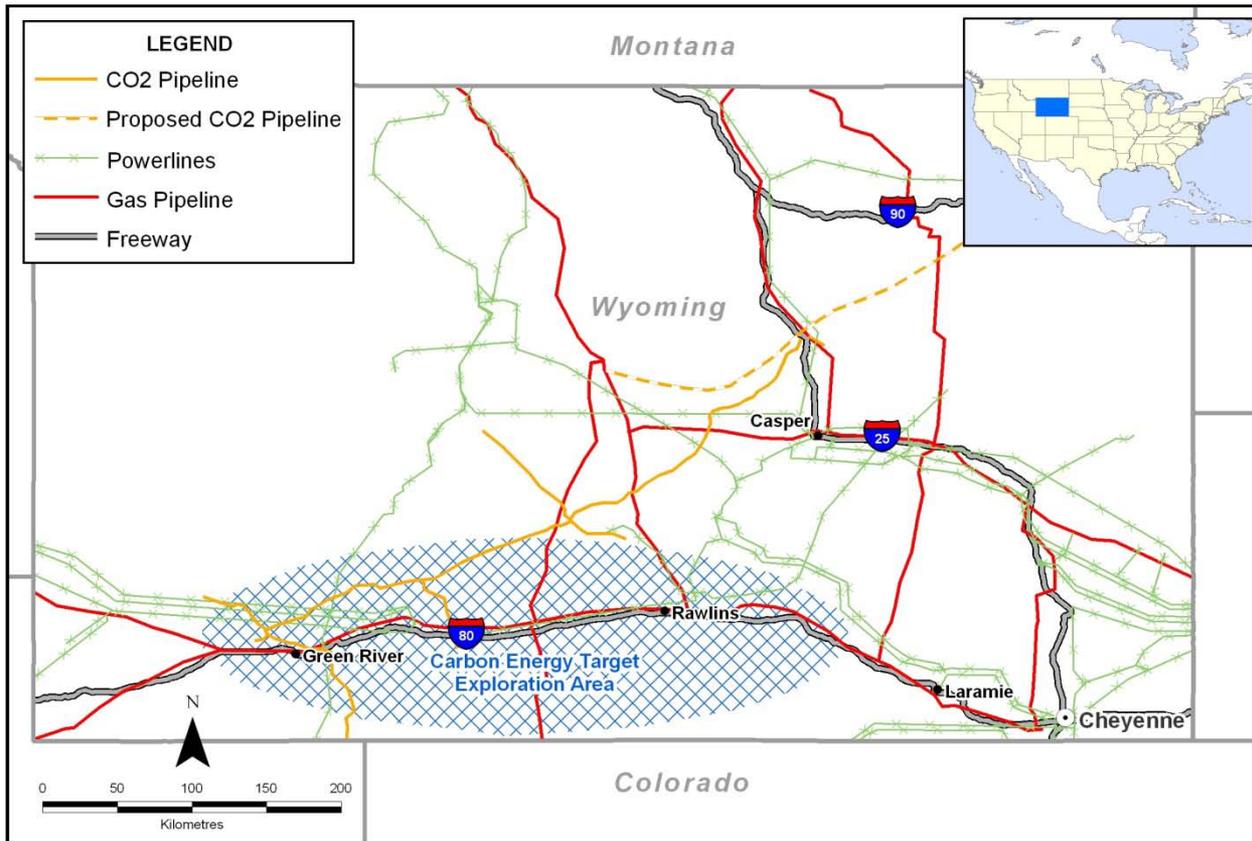


Chile Update

- Environmental Approval Obtained for Pilot Project
- Preliminary Design Plan Completed
- FEED contract awarded December 2010 – due for completion May 2011
- Orders Placed for UCG Panel Casing
- Seismic Study Completed – confirmation boreholes in progress
- Water Monitoring Wells – commencing soon
- Drilling Plan Completed and Tender Document being Prepared
 - Drilling targeted to commence June/July 2011



United States – Wyoming





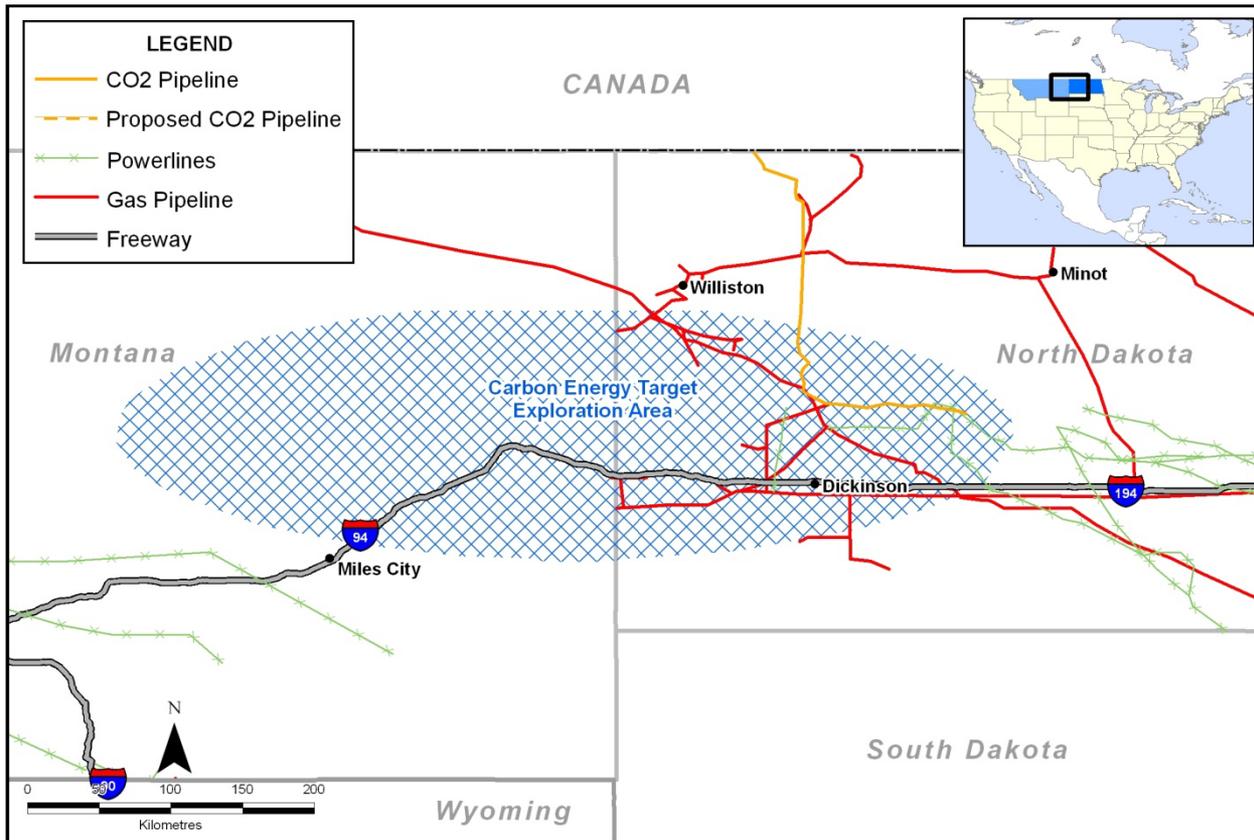
United States – Wyoming Project

- Located in southern Wyoming – established UCG Regulatory Framework exists
- Access to area of approx 113km² – Key Development Milestone: 500mt inferred resource
- Located close to existing infrastructure – natural gas, electricity and CO₂ pipelines
- Targeted drilling program can fast-track establishment of JORC resource. High confidence of establishing targeted resource of 500mt
- Attractive energy prices – for example, USA wholesale gas prices are as much as 50% higher than in Queensland and expected to increase*
- Contract includes Off-Take Agreement for CO₂ for use in Enhanced Oil Recovery generating additional revenue stream
- Planned production of electricity, synthetic natural gas (SNG) and CO₂ for Enhanced Oil Recovery (EOR)
- 500 mt can support gas production of 5,000 PJ which can generate \$1.8 billion p.a. for 15 years (@\$5.50/GJ)

* Sources: NYMEX, FERC, AEMO and Carbon Energy analysis



United States – Montana / North Dakota





United States – Montana / North Dakota

- Located across Montana and North Dakota border – UCG Regulatory Framework currently under evaluation by Montana State Government.
- Exploration rights over an area of 276 km² – Key Development Milestone: 500mt inferred resource
- Preliminary work undertaken by State geological agencies has produced a number of potential targets for UCG development across Great Northern Properties (GNP) land
- Contract with GNP includes Off-Take Agreement for the sale of CO₂, generating additional revenue stream
- Located close to existing infrastructure
- Attractive energy prices – for example, USA wholesale gas prices are as much as 50% higher than in Queensland and expected to increase*
- Planned production of power, synthetic natural gas (SNG) and CO₂ for Enhanced Oil Recovery
- 500mt can support gas production of 5,000 PJ which can generate \$1.8 billion p.a. for 15 years (@\$5.50/GJ)

* Sources: NYMEX, FERC, AEMO and Carbon Energy analysis



Turkey – Amasra





Turkey – Project Amasra

- 50/50 JV with Hema Endustri, one of the 17 companies in the diversified Hattat Group, one of Turkey's leading companies
- Hattat expect to deliver 1400MW, open three deep wells, produce 5mtpa of hard coal and employ 11,000 employees at the Amasra coal fields
- Located Northern Turkish coast
- Government approval for UCG pilot in place
- Key Development Milestone: 500mt inferred resource
- Located close to existing infrastructure and mining operations
- Planned production of lower-emission power and synthetic natural gas (SNG)
- Pilot planning due to commence 2011
- Attractive Power and Gas Prices*USD\$70/MWh and USD\$7.30/GJ
- Turkey is one of the fastest growing economies in Europe but imports about 70% of its energy needs

* Sources: TETAS, BOTAS Turkish State Owned Petroleum and Pipeline Corporation



Summary – 2011 Project Activities

- Australia – Queensland Operational UCG Panel + 5MW Power Station
- Chile – Mulpun First panel in construction + commissioning
- US – Wyoming and Montana Exploration and permitting commencement
- Turkey – Amasra UCG Pilot Design, planning and exploration
- India Tender for UCG coal blocks



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Thank You

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Low-cost, low-emission energy has arrived

Andrew Dash Managing Director



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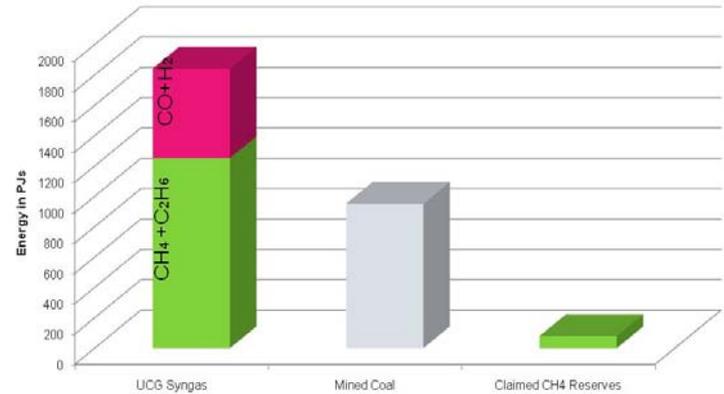
Appendix



4 Key Advantages of UCG



1. Low impact environmental footprint

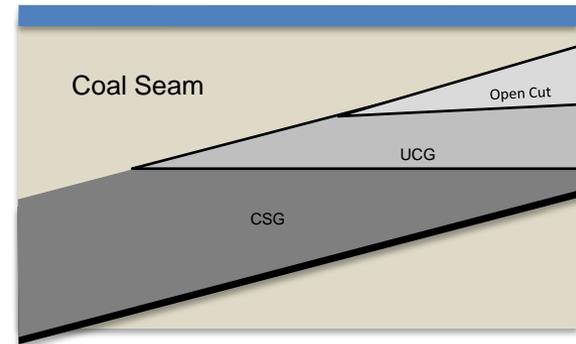


2. Energy generated from a small area

| | | | | | | |
|--|-----------|--------------|-----------|------------------------------|-----------------------|------------------|
| Above - ground Gasification Process | Mine Coal | Process Coal | Transport | Gasification Produces Syngas | Co2 Removal & Storage | Power Generation |
|--|-----------|--------------|-----------|------------------------------|-----------------------|------------------|

| | | |
|---|-----------------------|------------------|
| Underground Gasification Produces Syngas | Co2 Removal & Storage | Power Generation |
|---|-----------------------|------------------|

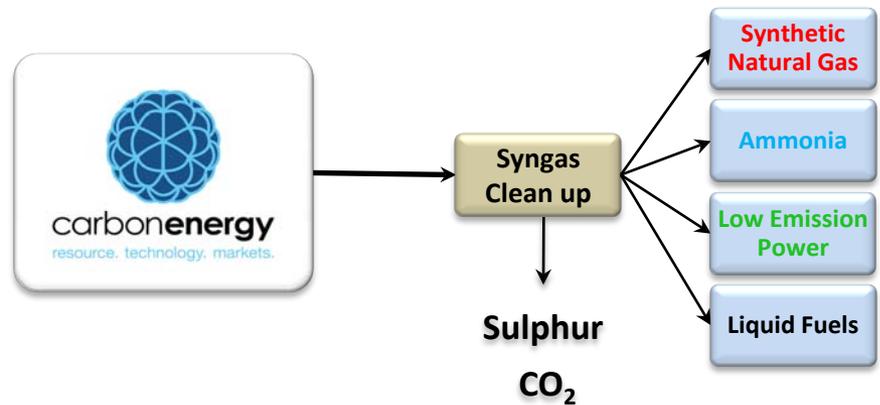
3. Less steps to carbon capture for low emission coal process



4. Monetising deep coal – better resource utilisation

Technology - Progress

- Concept Study into the production of alternative downstream products utilising syngas for:
 - Ammonia
 - Synthetic Natural Gas (SNG)
 - Power
- Study commissioned in conjunction with Incitec Pivot Limited and conducted by internationally recognised consultancy, Ammonia Casale.
- Findings concluded that syngas has the potential to reduce the capital costs of producing ammonia and pipeline quality gas (synthetic natural gas) which can be produced at market competitive rates.



Current Domestic Operations – Kogan, QLD

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



Queensland Update

- Carbon Energy is undertaking the following work schedule:

Mid February – Mid March 2011

- Installation of additional monitoring wells

Mid March – Mid April 2011

- Initiation and commissioning of UCG Panel 2
- Establishment of consistent syngas flow

Mid April – End May 2011

- Introduce syngas to engines and conduct engine testing
- Finalise environmental amendments to ramp up to full production
- Commission engines and ramp up power production

June 2011

- Export of electricity to the grid





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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)