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Carbon Energy (Operations) Pty Ltd
ABN 61 105 176 967

24 November 2011

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

CARBON ENERGY LIMITED

ANNUAL GENERAL MEETING OF SHAREHOLDERS – 24 NOVEMBER 2011

CHAIRMAN'S ADDRESS & MANAGING DIRECTOR'S PRESENTATION

Carbon Energy Limited (ASX Code: CNX) (OTCQX Code: 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, corner of Merivale & Glenelg Streets South Brisbane, this morning. The Meeting will commence at 9.30 am.

For and on behalf of the Board,

Morné Engelbrecht
CFO & Company Secretary

Chairman's Address to Shareholders
Carbon Energy Limited Annual General Meeting
Thursday 24 November 2011

Ladies and Gentlemen,

Today's meeting enables the Board to report to you on the performance of Carbon Energy during the 2011 financial year.

No matter how you look at it, the past year has been a defining as well as a challenging one for our company.

On one hand we encountered more than our fair share of Queensland regulatory hurdles and on the other we achieved a major milestone of an Australian first in power generation, using syngas, using our keyseam® technology pioneered here in Queensland.

We have also embarked upon an expansion overseas with the purchase of rights to coal tenements in the United States and Turkey and further advanced our project in Chile.

The Company's core strategy is to leverage the value of the proprietary Underground Coal Gasification (UCG) technology, known as keyseam®, by providing energy from otherwise unusable coal resources, and creating syngas for electricity generation or for industrial use here in Queensland, or overseas.

The global pursuit for increased energy sources, that are more sustainable, and available at a low cost, will not be easily, or rapidly, delivered. Governments are slowly realising, that the reality of sustainable energy requires lengthy development timeframes, innovative and practical solutions and very large amounts of capital. It is also highly probable that, costs passed to the consumer will be dramatically higher, than the energy prices of today.

Being able to tap into otherwise unused coal resources and deliver energy from these resources with low cost, low emissions and low overall impact is the opportunity Carbon Energy's keyseam® technology offers.

Our keyseam® technology extracts up to 80% of the energy recoverable from in-situ coal, that is combusted in the process, and delivers up to 20 times more energy, than coal seam gas extraction can, from the same coal resource.

Keyseam® has been developed from more than 10 years research by the CSIRO. Your Company has completed three years of in-field trials in readiness for commercialisation and has the sole world-wide rights to this innovative technology.

In the past year, the Queensland energy supply market has seen major changes, which will affect electricity supply and prices for all Queenslanders in the future.

The development of “initially” 3 trains of LNG production at Gladstone will see large volumes of Coal Seam Gas (CSG) sold into global markets, from 2015 on. The constant demand for gas to supply these plants will ensure that domestic gas prices will rise to parity with global prices - if any gas is available for domestic customers.

The rapidly expanding Queensland industrial base through new large coal mines, LNG trains, etc. will add to the growing demand from the population for more electricity.

With the introduction of a carbon tax, the operating cost of new coal fired power stations will also rise. The current political climate does not favour new coal fired generation, even though the forecast electricity demand, requires their development.

It is highly improbable that solar and wind power can fill the demand gap in the time required.

The capacity of new gas fired power stations to supply base load electricity can only be fulfilled, if the CSG is available for domestic use. The ongoing consolidation of the CSG supply industry to supply LNG exports may mean gas availability for domestic power generation and industrial use may be limited.

Other sources of energy for base load power and industrial use will be required.

Carbon Energy has the technology and the potential to provide substantial gas for electricity generation and industrial use.

Other nations are beginning to understand that UCG has the potential to unlock a large portion of the otherwise undeveloped energy sources.

International markets, with potential for application of UCG, occur, where there are coal resources, which are not readily mined by traditional methods. Governments of these countries are keen to provide new electricity supply to improve the standards of living of their citizens, without having to compete for high priced oil.

Recent cost estimates for UCG projects come in at levels less than half of conventional above ground coal-gasification methods of coal mined by traditional methods.

In Uzbekistan, UCG has been a viable energy source for electricity generation for over 50 years.

The Alberta Government in Canada has announced a provincial contribution of $285 million to support a UCG and carbon capture project. The Alberta Minister for Energy has stated firmly the financial support is not a subsidy and the province would get its money back down the line in the form of tax revenue and gas royalties from the project.

In Wyoming, in the United States, where several projects are currently underway, the state Government is very positive about their support of UCG. The local Governor has provided strong support for UCG for its ability to target deep coal reserves and tightly manage environmental risks along with capturing and sequestering greenhouse gases.

Countries such as Chile also understand the potential benefits of UCG.

Chile is one of the strongest economies in South America, yet it is energy poor. Chile imports close to 75% of its energy requirements. A recent electricity blackout, which affected more than 10 million Chileans, highlights the issues the country is having with energy security. With almost no fossil fuels in production, and a history of importing gas from neighbouring Argentina, Chile is investigating UCG technologies, that can unlock previously unusable coal deposits and assist in making their nation less reliant on imported fuel sources.

Chile continues to be an attractive market for energy projects with energy demand growing at 8% annually. When we were evaluating the Mulpun project back in 2009, Chilean electricity prices were US$120 per MWh. Recently, prices have increased to US$220 per MWh, making these some of the highest prices for electricity in the world. It isn't any wonder the Chilean Government is encouraging new sources of domestic energy supply.

Despite global economic uncertainty, it is very apparent that the world energy demand continues to grow strongly. Over the next 20 years, some 500 million people will relocate from rural areas to the urban environment, in India and China. While this shift will support their growing economies and lift standards of living, the accompanying energy demand will strain available energy supply sources.

In this environment of growing energy, demand your Board is confident the Company's strategy of driving UCG growth is becoming even more relevant.

We are still a young company. In three short years we have turned our proprietary keyseam® technology into an operating reality and delivered an Australian first in power generation from syngas.

We continue to gain production experience from our operations at Bloodwood Creek. The developments of keyseam® are at the cutting edge of global UCG technology development. Your

Company is building the skills, knowledge and intellectual property, that can be applied to markets looking for new sources of energy.

The electricity produced at Bloodwood Creek, here in Queensland, will shortly be connected to the electricity grid. It's a small start, but a significant first step.

While challenges still remain ahead of us, our achievements of the last year have laid a solid foundation. We continue to build a portfolio of coal assets which may be suitable for UCG close to markets desperate for new fuel sources. And we have had the foresight to partner with exceptional local and world leading organizations across Australia, Chile and the United States.

Recently we also closed out a Shareholders Rights issue. $8.2 million was raised from supportive shareholders. This represents an uptake of 79% of the projected issue, an amazing result considering the raising was undertaken in the financial environment dominated by the European debt crisis. The company intends to place the remaining $2.2 million of this rights issue shares within the next three months.

I would like to acknowledge that the success of this raising is due to the continued support of our shareholder base. Thank you.

Our major shareholder Pacific Road had previously agreed to provide a $10 million convertible note. At the time of negotiation, the advice your Board received was that there would not be a high take up for any rights issue and your Company required precious capital for continued operations. I am grateful to Pacific Road for their valuable support during a very difficult capital raising period.

With the continued support from our shareholders, we will power a new generation of advanced coal technology.

In conclusion, I would like to thank my fellow Board Members for inviting me to chair this Board. It is an exciting and worthwhile opportunity.

On your behalf, I would like to thank the Board, the management team and all of the Carbon Energy staff for their energetic contribution over the past 12 months.

And finally, my thanks to you, our shareholders for your interest and your continued support.

Chris Rawlings

2011
CARBON **ENERGY**
ANNUAL GENERAL **MEETING**

24 NOVEMBER 2011

MANAGING DIRECTOR'S PRESENTATION

Mr Andrew Dash

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IMPORTANT **STATEMENTS**

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Competent Persons

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.

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AGENDA

- Our Focus
- Building Shareholder Value
- Projects & Partnerships
- Milestones
- Market Outlook
- Projects

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CARBON ENERGY **IS A WORLD LEADER IN** ADVANCED COAL TECHNOLOGY

Our business is transforming stranded coal resources into high-value fuels with lower emissions to meet the increasing global demand for new, low cost, alternative energy sources.

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STRATEGIC **OBJECTIVES**

RESOURCE

STRANDED COAL RESOURCES

Build a targeted international portfolio of coal assets suitable for Underground Coal Gasification (UCG)

TECHNOLOGY

TRANSFORMED INTO SYNGAS

Be a leader in advanced coal technology that delivers a lower cost, lower emission fuel source.

keyseam®

MARKETS

DOWNSTREAM PRODUCT MARKETS

Supply UCG Syngas to high-value downstream markets.

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BUILDING **SHAREHOLDER VALUE**

	Carbon Energy	Result
1.	Successfully demonstrate our technology	UCG Panel 1 & 2 at BWC
2.	Prove scalability & internationally relevance	Panel 2-3 & Chile
3.	Operate safely & responsibly	Regulatory & Social Approvals
4.	Grow, diversify and expand	Global expansion & partnerships
5.	Turn resource assets into cash flow	Sign off-take agreements to supply lucrative downstream markets

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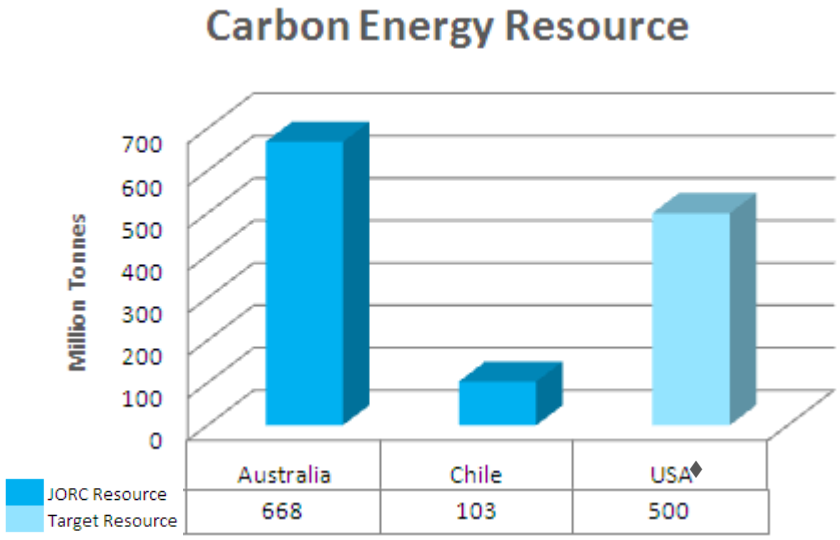
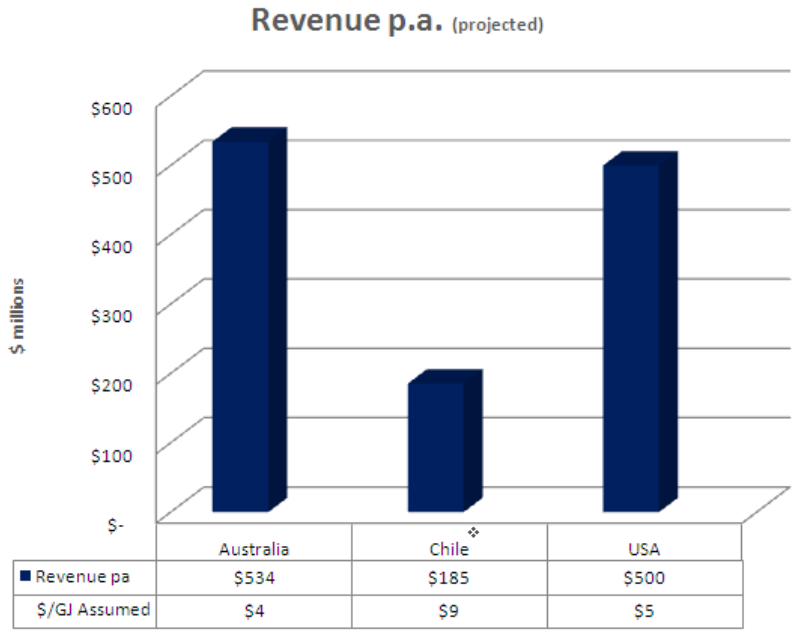
BUILDING **SHAREHOLDER VALUE**





- Our vision is focused firmly on turning our resource assets into a potential annual revenue stream of over $1 billion
- Delivered, by example, from the full scale production of these projects
- High value markets such as Chile contribute a higher yield per tonne of coal resource

See Appendix A for JORC Resource Assessment

♦Carbon Energy Target.

❖Carbon Energy has the right to a 30% contributing interest in Chile deposit upon completion of agreed milestones.

Calculations: Carbon Energy calculations based on estimated energy content of the coal and 50% recovery (that takes into account pillars, losses and gasification efficiency of 80%)

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KEY PROJECTS & **PARTNERSHIPS**

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RESOURCE - **MILESTONES**

June 2011 - Maiden Resource Statement Chile

103Mt at 2 metre coal seam thickness (83.6 million > 5 metre coal seam thickness. Measured: 26Mt, Indicated: 37Mt, Inferred: 40Mt)

- Estimated 1,100PJ of recoverable syngas
- Capable of running a 300MW plant (approx 20PJ p.a.) for 50 years, generating an estimated $185 million p.a.
- Carbon Energy has the right to a 30% contributing interest

February 2011 - Further diversification into international markets

Acquisition of international resource sites:

- Wyoming, USA
- North Dakota/Montana border, USA
- Amasra, Turkey

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TECHNOLOGY **MILESTONES**

Bloodwood Creek Panel 2	Date 2011
Initiation of Panel 2	March
Production of consistent quality gas	March
Heating values exceeding the Company's target range of 5-6MJ/m^3	June
Generation of electricity into on-site load bank	August
Successful demonstration of automated Controlled Retraction Injection Point (CRIP)	Sept

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MARKET OUTLOOK
EAST COAST AUSTRALIA


The Australian
September 10, 2011
LOCAL GAS BUYERS ARE PAYING A HIGH PRICE FOR THE EXPORT SURGE


The Australian
November 7, 2011
AGL SECURES EAST COAST'S MOST EXPENSIVE GAS DEAL

Santos

East Coast market dynamics have shifted

A permanent structural shift in the east coast gas demand will cause higher gas prices and provide opportunity for commercialisation

Gas prices will trend towards oil-linked international parity $6-9/GJ

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MARKET OUTLOOK
INTERNATIONAL

- Indicative Cost build-up for LNG:
  - Production: $6-$9 (based on QLD wellhead expectations)
  - Transmission: $0.50
  - Liquefaction: $5.00
  - Shipping: $1.20
  - Usage/Losses: $0.60
  - Total: $12.80 – $15.80

Importing LNG in Chile Market could expect market prices of $13 to $16

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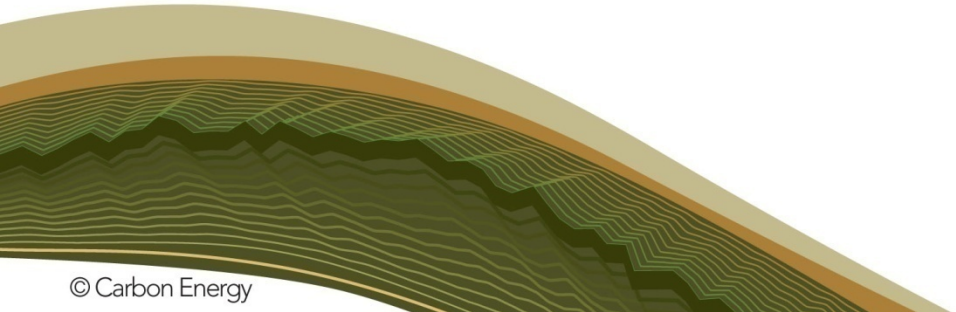
QUEENSLAND
REGULATORY CHALLENGES

- Unprecedented growth in QLD energy projects (coal, CSG to LNG, UCG)
- Competing interests for tenure between energy proponents
- Concern over access to farming land and impact on water table
- **key**seam® provides unique solution
  - Small environmental footprint (20 times the amount of energy from the same land area compared to CSG)
  - Not located on Strategic Cropping Land
  - Does not pump down water table
  - No fraccing chemicals used

"if we are going to grow our industries we need to continue to develop our traditional energy resources alongside new and emerging technologies."

Source: The CANDO LNP Resources & Energy Strategy Nov 2011



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CAPITAL **RAISING**

- $10M Convertible Loan Facility with Pacific Road Capital
  - 25% premium to the Rights Issue Price (subject to certain adjustments)
- $8.2M Rights Issue

Use of Funds in Queensland, Australia:

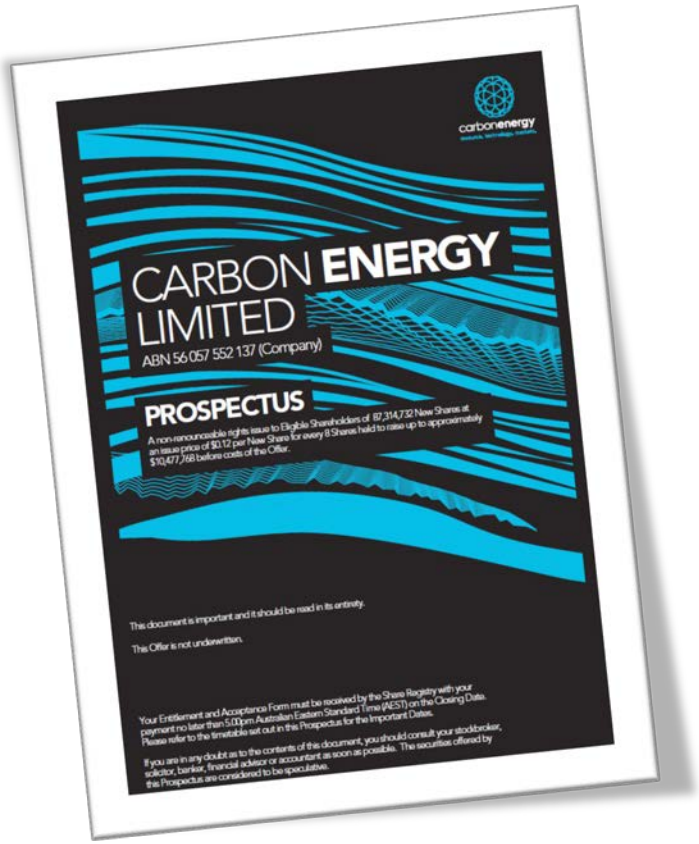
- Operation of UCG Panel 2 & 5MW Power Station
- Rehabilitation of UCG Panel 1
- Engineering studies to support multi-panel operation
- Permitting activities for MLA 50253 to support long term gas production

Use of Funds in Mulpun, Chile:

- **key**seam® design and installation
- Process Engineering
- Geological Evaluation

Use of Funds in Wyoming, USA:

- Planning and approvals for exploration targeting 500Mt coal resource



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AUSTRALIA
BLOODWOOD CREEK PROJECT

- Connection to the Ergon Electricity Grid
- Commissioning of Panel 3
- Rehabilitation of Panel 1
- Planning for:
  - multi-panel operation
  - mining lease application
  - commercial scale power generation

Power lines at Bloodwood Creek Site, Queensland

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CHILE

MULPUN PROJECT

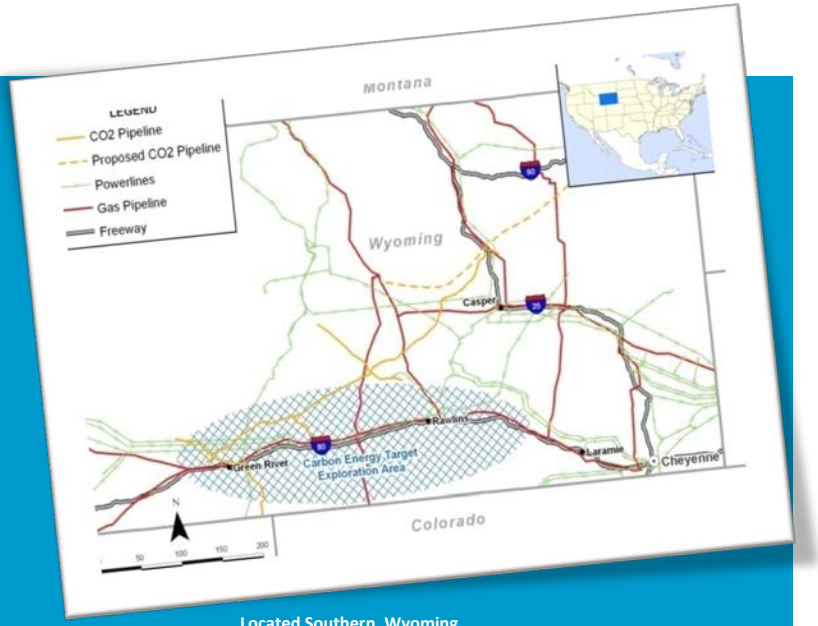
A market highly dependant **on imported fuel with spot electricity prices up to $220 per MWh**

- 103 Million Tonne JORC Resource
  (Measured: 26 Million Tonnes, Indicated: 37 Million Tonnes, Inferred: 40 Million Tonnes with a 2 metre thickness cut-off)
- Appoint Engineering Procurement & Construction (EPC) contractor
- Select driller from commencement in early 2012
- First gas targeted for mid 2012
- Accelerate commercial scale development
- Identify additional project opportunities

UNITED STATES

WYOMING & MONTANA / NORTH DAKOTA

- Targeted drilling program to fast-track establishment of Inferred Resource
  - Wyoming Exploration Rights - 44mi2 (113km2)
  - Montana/Nth Dakota Exploration Rights - 171mi2 (276km2)
  - Exploration License with Option to Lease Agreements
- Contract includes Off-Take Agreement for CO2 for use in Enhanced Oil Recovery - generating additional revenue stream
- Key Development Milestone:
  - 500 Million Tonnes Inferred Coal Resource
  - 100 Million Tonnes Indicated Coal Resource
  - Planned production of electricity, synthetic natural gas (SNG) and CO2 for Enhanced Oil Recovery (EOR)
  - Sites located close to existing infrastructure – natural gas, electricity and CO2 pipelines
  - Market opportunities will be dependant upon stabilisation of domestic shale gas prices



Located Southern Wyoming
Established UCG Regulatory Framework Exists
Located Across Montana and North Dakota Border
UCG Regulatory Framework currently under evaluation by Montana State Government

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SUMMARY

RESOURCE

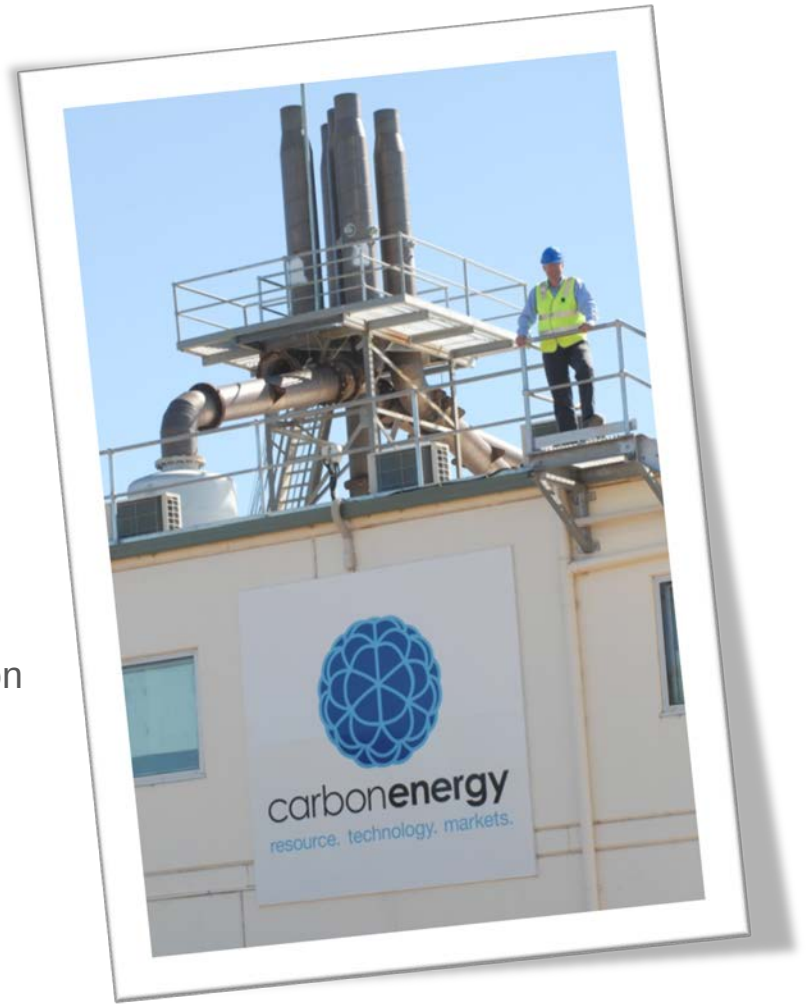
- Our focus for the future is on realising the Shareholder value of our resources
- Established Resource in Australia & Chile
- Exploration planning in Wyoming, USA

TECHNOLOGY - **key**seam®

- 3 Years Operational Experience in Australia
- Panel 2 Performance Exceeding Expectation
- UCG Syngas to Electricity demonstrated, grid connection is imminent

MARKETS

- Acceleration of commercialisation in Chile
- Discussions commenced for Wyoming Off-take



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APPENDIX A

JORC Resource Assessment

Location	Coal Thickness Cut-Off(m)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Bloodwood Creek, Australia	2 5[1]		218 158	280 57	498 215
Kogan, Australia	2 5[1]			170 149	170 149
Mulpun, Chile[2]	2 5[1]	26.4 25.3	36.7 19	40.1 39.3	103.2 83.6

Notes: 1. Optimal target for Underground Coal Gasification. 2. Carbon Energy has the right to a 30% contributing interest in the Chile deposit upon completion of agreed milestones.

Competent Person Statement – Coal :The information in this table that relates to resources is based on information compiled by Dr C.W. Mallett, Technical 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 mineralisation 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 release of the matters based on his information in the form and context in which it appears.

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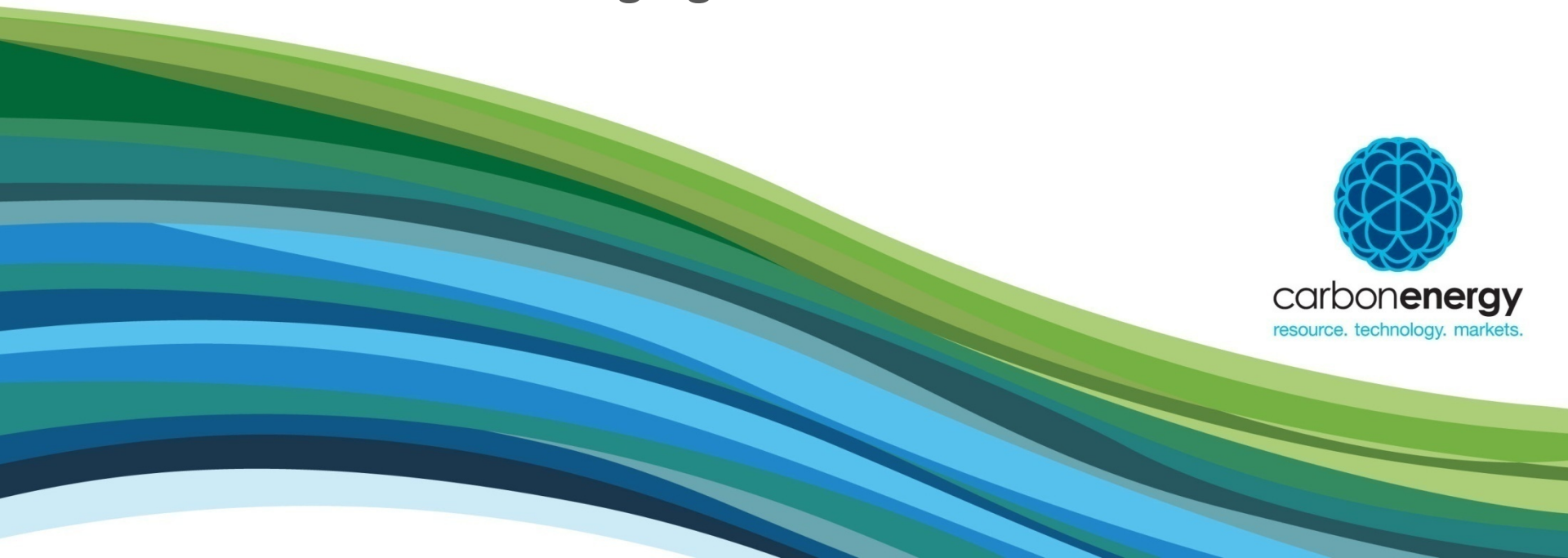
Thank You

Carbon Energy

Low-cost, low-emission energy has arrived

Andrew Dash Managing Director



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