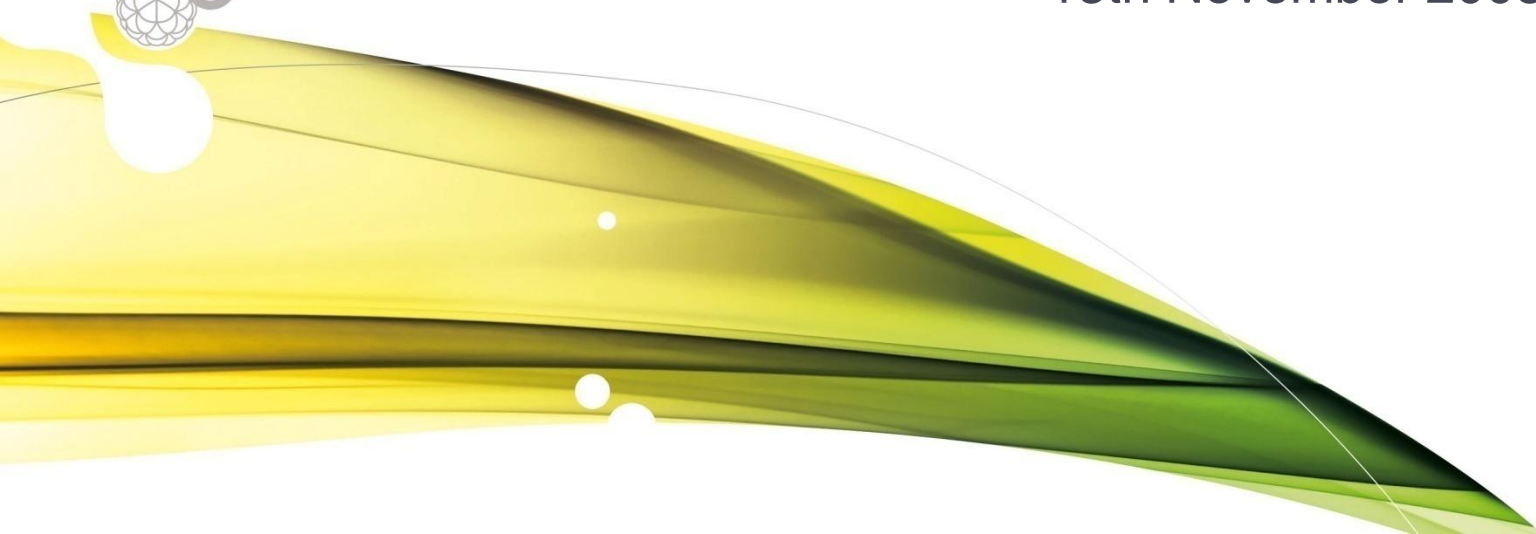


**Carbon**Energy

# 2008 AGM Presentation

## ASX:CNX

13th November 2008





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# Carbon Energy - Highlights 2008

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## Corporate

- Metex buys JV partner's interest in Carbon Energy in November 2007
  - CSIRO remains cornerstone investor with 18.5% (@Nov '08)
- Strategic focus shifted from Resources to UCG Syngas production
- Strategic partnership established with Incitec Pivot (May '08)
  - Acquires 55m shares (11% of issued capital) through \$11m placement
- Name change from Metex to Carbon Energy approved in June '08
- Commenced expansion of Brisbane based Senior Management Team



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# Carbon Energy - Highlights 2008

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## Capital Management

Raised a total of \$36m via private placements to:

- institutional investors in Nov '07 (\$6m) and May '08 (\$22m)
- Incitec Pivot in May '08 (\$11m)

Shares on issue increased from 253.4m to 491.3m during 2007-08

## Listed Status

Ticker changed from MEE to CNX on 15 July 2008

Market Capitalisation currently \$167m (@\$0.34 cents per share)

Market Capitalisation \$48m June 07

CNX admitted to the S&P/ASX 300 Index in Sept '08



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# Operational Milestones

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- July '07 Signs contract with the Australian government to identify and develop clean coal UCG projects in India
- Oct Size of the inferred coal resource at Bloodwood Creek upgraded from 45m tonnes to 100m tonnes
- April '08 Key government approvals gained for \$20m commercial scale UCG Trial
- May MOU executed with Incitec Pivot to gain exclusive rights to technology for **ammonia**
- May Fund raising results in a total of \$36m being raised**
- May Commencement of work at the Bloodwood trial site
- July Directional drilling commenced
- Aug Construction of above ground infrastructure commenced
- Aug Directional drilling completed
- Sep Letter of Intent signed with Lyondellbasell to investigate the development of **methanol** plant
- Oct Construction completed and first Gasification achieved**
- Nov Commercial volumes achieved – 100 day trial commences**



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# Strategy and Focus

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

- Focusing on our world leading UCG technology and coal resource opportunities
- Developing strategic partnerships that bring capability in downstream technologies and access to additional markets
- Superior project delivery - on time / on budget
- Sustainability through - reduced environmental footprint / better resource utilisation



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# Underground Coal Gasification

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UCG is the gasification of coal underground

- the energy in coal is extracted without the environmental impacts associated with coal mining.

Gasification is a process where Oxygen and Steam react with coal at high temperatures

- an energy rich gas mixture is produced called **Syngas**.

UCG Syngas is comprised of four gases

- Hydrogen, Carbon Monoxide, Methane and Carbon Dioxide.



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## Trial – Project outline

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- Project located at Bloodwood Creek in the Surat Basin, located 55km west of Dalby in southeast Qld
- The site has a coal resource of over 100 million tonnes of high quality coal
- This resource is approx **2,000 PJ of energy**, with some **1,000 PJ being potentially recoverable** utilizing UCG
- Trial is demonstrating CNX's 1PJ pa modular design and will confirm the effectiveness of its proprietary modeling tools for site selection and process modeling
- Successful demonstration of this module has confirmed
  - CNX as the **world's first company with the capability for commercial scale, oxygen-injected UCG Syngas production**
  - CNX's Syngas is suitable for existing, gas to chemicals, power generation and gas to liquids technologies



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**UCG Syngas  
trial Site at  
Bloodwood Creek  
Surat Basin  
Queensland**



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# Market opportunity

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## Energy dynamics shifting globally

- Demand is increasing with major supplies diminishing (e.g. Natural gas and oil)
- Increased focus on carbon emissions and emerging carbon trading schemes

## Commercial price is increasing

- Australian prices for oil and LPG are starting to reflect world parity,
- major energy users, who rely on oil and natural gas as feedstock, are looking for alternatives.

## UCG offers the potential to unlock a **huge additional source of energy from coal at low cost**

- Suitable for energy markets (e.g. power generation, transport fuel)
- Preferred fuel for feedstock markets (e.g. ammonia production, plastics etc)
- Provides pathway to low carbon emission energy solutions by providing a low cost carbon capture mechanism.



## Pathway to Commercialisation – Next 12 Months

	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
<b>UGC</b> Commercial Trial	Volume /Quality				
<b>Resources</b>					
Drilling Plan					
Expand Resource Australia	100Mt				500 Mt
Off shore	Investigate				Secure international resources
<b>Commercial</b>					
Power Generation	Project Approvals	Engineering /Design	Project commitment	Construct	
Chemical Feedstock Ammonia Plant Methanol Plant	Pre -feasibility	Project Approvals	Engineering /Design		
Transport Fuels	Pre -feasibility	Project Approvals			Engineering /Design



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# Summary

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- Energy dynamics shifting globally - price, availability and emission reduction
- CNX has world leading Syngas production technology
- Management team demonstrated rapid project delivery (repeatable)
- Commercial quantities of Syngas now being produced
- Next 12 months commercialisation plan in place
- Increasing interest, both here and overseas, will create additional commercial opportunities over the next 12 months
- Focused on improved Sustainability



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*“Technology Delivering Clean Energy.”*