

Form 603
Corporations Act 2001
Section 671B

Notice of initial substantial holder

To Company Name/Scheme Carbon Energy Limited

ACN/ARSN 057 552 137

1. Details of substantial holder (1)

Name Carbon Energy Limited ACN 057 552 137 (**Carbon Energy**) and each of the parties listed in Annexure A (collectively, the **Carbon Group**)

ACN/ARSN (if applicable) As set out in Annexure A

The holder became a substantial holder on 19/07/2017

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Ordinary shares	4,679,911,281	4,679,911,281	72.07%

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
Carbon Energy	Carbon Energy has the power to control the exercise of a power to dispose of, the securities, pursuant to the Voluntary Escrow Deed attached as Annexure B	4,679,911,281 fully paid ordinary shares

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
Carbon Energy	Kam Lung Investment Development Co Ltd	Kam Lung Investment Development Co Ltd	4,679,911,281 fully paid ordinary shares

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)	Class and number of securities
Carbon Energy	19 July 2017	Pursuant to the terms of the Proposed Transaction (as that term is defined in the notice of annual general meeting of Carbon Energy Ltd released to ASX on 15 June 2017)	4,679,911,281 fully paid ordinary shares

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
Carbon Energy (Holdings) Pty Ltd	Wholly owned subsidiary of Carbon Energy
Carbon Energy (Galilee) Pty Ltd	Controlled by Carbon Energy Limited (Carbon Energy is ultimate holding company)
Carbon Energy (Operations) Pty Ltd	Controlled by Carbon Energy Limited (Carbon Energy is ultimate holding company)
Carbon Energy (Latin America) Pty Ltd	Controlled by Carbon Energy Limited (Carbon Energy is ultimate holding company)
Carbon Energy Chile Limitada	Controlled by Carbon Energy Limited (Carbon Energy is ultimate holding company)
Coronation Drive (Energy) Pty Ltd	Controlled by Carbon Energy Limited (Carbon Energy is ultimate holding company)

7. Addresses

The addresses of persons named in this form are as follows:

Name	Address
Carbon Energy	Level 9, 301 Coronation Drive, Milton, Queensland 4064
Each other entity forming part of the Carbon Group	As set out in Annexure A

Signature

print name Catherine Costello capacity Company Secretary of Carbon Energy Limited

sign here  date 20/07/2017

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
 - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown."
- (9) Details of the consideration must include any and all benefits, moneys and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.

Annexure A

Members of the Carbon Group

This is Annexure A of one page referred to in ASIC Form 603 – Notice of initial substantial holder.



Signed by: _____

Catherine Costello
Company Secretary
Carbon Energy Limited

Name	ACN / Place of incorporation	Address
Carbon Energy (Holdings) Pty Ltd	120 429 209	Level 9, 301 Coronation Drive, Milton, Queensland 4064
Carbon Energy (Galilee) Pty Ltd	141 880 757	Level 9, 301 Coronation Drive, Milton, Queensland 4064
Carbon Energy (Operations) Pty Ltd	105 176 967	Level 9, 301 Coronation Drive, Milton, Queensland 4064
Carbon Energy (Latin America) Pty Ltd	150 798 324	Level 9, 301 Coronation Drive, Milton, Queensland 4064
Carbon Energy Chile Limitada	Chile	130 / Piso 12, Av. El Bosque Sur, Las Condes, Santiago, Chile
Coronation Drive (Energy) Pty Ltd	141 880 775	Level 9, 301 Coronation Drive, Milton, Queensland 4064

Annexure B

Voluntary Escrow Deed

This is Annexure B of 14 pages referred to in ASIC Form 603 – Notice of initial substantial holder.



Signed by:

Catherine Costello
Company Secretary
Carbon Energy Limited



HERBERT
SMITH
FREEHILLS

Deed

Voluntary Escrow Deed

Tim Michael and Will Colwell in their capacity as
joint and several deed administrators of CNX (**Deed
Administrators**)

Carbon Energy Limited (Subject to a Deed of
Company Arrangement) (**CNX**)

Kam Lung Investment Development Co Ltd (**Kam
Lung**)



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Voluntary Escrow Deed

Date ▶ 19 July 2017

Between the parties

Deed Administrators **Tim Michael and Will Colwell**
in their capacity (respectively) as joint and several deed administrators of
CNX, CEH and CEO
C/- Ferrier Hodgson, Level 7, 145 Eagle Street, Brisbane QLD 4000
Telephone: +61 7 3831 4833
Email: tim.michael@fh.com.au
Attention: Tim Michael

CNX **Carbon Energy Limited (Subject to a Deed of Company
Arrangement)**
ACN 057 552 137
Level 9, 301 Coronation Drive, Milton, Queensland 4064
Telephone: +61 7 3156 7777
Email: ccostello@carbonenergy.com.au
Attention: Catherine Costello

Kam Lung **Kam Lung Investment Development Co Ltd**
FI 19, World Financial Centre, 1 Central East 3rd Ring Road, Chaoyang
District, Beijing China
Email: hehx@ghid.com.cn and gsu@srcg.com.au
Attention: He Huanxue and George Su

Recitals

- 1 On 22 November 2016, Tim Michael and Will Colwell were appointed as administrators of the Deed Companies pursuant to Part 5.3A of the Corporations Act.
- 2 On or about 9 March 2017, in accordance with a resolution made by the creditors of the Deed Companies pursuant to section 439A of the Corporations Act, the Deed Companies and the Deed Administrators entered into the DOCA. The DOCA provides for the issue of the New Shares to Kam Lung.
- 3 The New Shares that will be issued to Kam Lung will be held by Kam Lung) for the Escrow Period on the terms set out in this deed.

This deed witnesses as follows:



1 Definitions and interpretation

1.1 Definitions

The meanings of the terms used in this deed are set out below.

Term	Meaning
Board	the board of directors of CNX.
Business Day	any day other than a Saturday, Sunday or public holiday in Brisbane, Sydney or Beijing.
CNX Shares	ordinary shares in CNX.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Deal	in respect of any New Share, means to offer any New Share for sale. Dealing and Dealt each have a corresponding meaning.
Deed Company	each of CNX, Carbon Energy (Holdings) Pty Ltd (Subject to a Deed of Company Arrangement) and Carbon Energy (Operations) Pty Ltd (Subject to a Deed of Company Arrangement).
DOCA	the deed of company arrangement dated on or about 9 March 2017 that was entered into between the Deed Administrators, the Deed Companies and Kam Lung to give effect to the Proposal.
Escrow Period	the period commencing on the date the New Shares are issued and ending on the date that is 12 months after the New Shares were issued.



Term	Meaning
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian.
Holding Lock	has the meaning in section 2 of the ASX Settlement Operating Rules.
Issuer Sponsored Subregister	the part of the CNX's register for shares that is administered by CNX (and not ASX Settlement) and records uncertificated holdings of CNX Shares.
Listing Rules	the listing rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.
New Shares	the shares in CNX that are issued at completion under the DOCA to Kam Lung.
Proposal	Kam Lung's proposal for a restructure of the Deed Companies.

1.2 Interpretation

In this deed, unless the subject or context otherwise requires:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this deed;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this deed have a corresponding meaning;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, part, schedule, attachment or exhibit is a reference to a clause or part of, and a party, schedule, attachment or exhibit to, this deed;



- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (h) a reference to a document (including this deed) includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency unless denominated otherwise;
- (j) a reference to any time is, unless otherwise indicated, a reference to that time in Sydney;
- (k) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this deed;
- (l) words and expressions defined in the Listing Rules, and not in this deed, have the meanings given to them in the Listing Rules;
- (m) a reference to a party to a document includes that party's successors and permitted assignees;
- (n) no provision of this deed will be construed adversely to a party because that party was responsible for the preparation of this deed or that provision;
- (o) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- (p) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally; and
- (q) a reference to a body, other than a party to this deed (including an institute, association or authority), whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

1.3 Inconsistency with Corporations Act or Regulations

If there is any inconsistency between the provisions of this deed and the Corporations Act or Regulations, this deed prevails to the extent permitted by law.

1.4 Other inconsistencies

If there is any inconsistency between the provisions of this deed and the constitution of a Deed Company or any other obligation binding on a Deed Company, the provisions of this deed prevail to the extent of the inconsistency, and all persons bound by this deed agree to sign all documents and do all things necessary to remove such inconsistency, the costs of which will be borne by CNX.

1.5 Business Days

Except where otherwise expressly provided, if the day on or by which any act, matter or thing is to be done as required by this deed is a day other than a Business Day, that act, matter or thing must be done on or by the next Business Day.



2 Escrow

2.1 Kam Lung restrictions during Escrow Period

- (a) Subject to clause 2.3, Kam Lung must not Deal in the New Shares during the Escrow Period.
- (b) Nothing in this deed prevents or restricts Kam Lung from exercising the voting rights attached to the New Shares.

2.2 Escrow restrictions

The parties acknowledge and agree that:

- (a) as soon as practicable following the issue of the New Shares to Kam Lung, the New Shares will be registered and held for Kam Lung on the Issuer Sponsored Subregister;
- (b) CNX will provide a copy of this deed to the share registrar of CNX and that CNX will (or will procure its share registrar to) apply a Holding Lock to the New Shares as soon as practicable after registration of the New Shares on the Issuer Sponsored Subregister and Kam Lung hereby agrees to the application of the Holding Lock; and
- (c) CNX will do all things necessary to ensure that the Holding Lock is released as soon as possible (and without delay):
 - (1) to the extent necessary to permit Dealings in the New Shares permitted by this deed; and
 - (2) in full at the conclusion of the Escrow Period,
including notifying ASX that the New Shares will be released from the Holding Lock, in accordance with the timing requirements set out in Listing Rule 3.10A.

2.3 Exception

- (a) During the Escrow Period, Kam Lung may Deal in any of its New Shares if the Dealing:
 - (1) arises as a result of the acceptance of a bona fide takeover bid made under Chapter 6 of the Corporations Act in respect of the CNX Shares; or
 - (2) arises as a result of the transfer or cancellation of the CNX Shares as part of a scheme of arrangement relating to CNX under Part 5.1 of the Corporations Act; or
 - (3) is required by applicable law (including an order of a court of competent jurisdiction); or
 - (4) is permitted in writing by the Board.
- (b) During the Escrow Period, Kam Lung may also Deal in any of its New Shares if section 708 or 708A of the Corporations Act would permit such a Dealing without disclosure under Part 6D.2 of the Corporations Act.



3 Warranties

- (a) The parties acknowledge and agree that the purpose of the issue of the New Shares is to raise funds to provide working capital for CNX and to pay any unpaid fees and expenses of the Administrators and the Deed Administrators and that CNX is not issuing the New Shares for the purpose of Kam Lung selling or transferring them or granting, issuing or transferring interests in, or options over them and the parties acknowledge that it is CNX's preference that Kam Lung acquire the New Shares and remain as an investor in the Company in at least the medium term.
- (b) Kam Lung represents and warrants to CNX and the Deed Administrators that as at the date of this deed and as at the date of issue of the New Shares, Kam Lung does not have an intention to immediately on sell or transfer the New Shares after their issue and that it is Kam Lung's present intention to be an investor in the New Shares at least in the medium term.

4 Termination

4.1 Termination event

This deed will terminate at the conclusion of the Escrow Period.

4.2 Action on termination

On termination of this deed in accordance with clause 4.1:

- (a) accrued rights and remedies of a party are not affected; and
- (b) subject to this clause 4.2(a), the parties are released from further performing their obligations under this deed.

4.3 Survival

Clauses 1, 4 and 5 survive termination of this deed.

5 General

5.1 Deed Administrators

The Parties agree and acknowledge that:

- (a) the Deed Administrators execute this document solely in their capacity as the deed administrators of the Deed Companies, and not in their personal capacity; and
- (b) the Deed Administrators do not by their execution of this document assume any personal liability for any representation, liability or obligations made or assumed under or in connection with this document or any document referred to in it.



5.2 Governing law and jurisdiction

- (a) This deed is governed by the law in force in the State of New South Wales.
- (b) Each party irrevocably submits to the non exclusive jurisdiction of courts exercising jurisdiction in the State of New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed. Each party irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

5.3 Service of process

Without preventing any other mode of service, any document in an action (including any writ of summons or other originating process or any third or other party notice) may be served on any party by:

- (a) any means permitted by the law or the regulations; or
- (b) by email to the email address specified on page 1 of this deed.

5.4 Invalidity and enforceability

- (a) If any provision of this deed is invalid under the law of any jurisdiction the provision is enforceable in that jurisdiction to the extent that it is not invalid, whether it is in severable terms or not.
- (b) Clause 5.4(a) does not apply where enforcement of the provision of this deed in accordance with clause 5.4(a) would materially affect the nature or effect of the parties' obligations under this deed.

5.5 Waiver

No party to this deed may rely on the words or conduct of any other party as a waiver of any right unless the waiver is in writing and signed by the party granting the waiver.

The meanings of the terms used in this clause 5.5 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this deed and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

5.6 Variation

A variation of any term of this deed must be in writing and signed by the parties.



5.7 Assignment of rights

A party may not assign, novate, declare a trust over or otherwise transfer or deal with any of its rights or obligations under this deed without the prior written consent of the other party.

5.8 Further action to be taken at each party's own expense

Each party must, at its own expense, do all things and execute all documents necessary to give full effect to this deed and the transactions contemplated by it.

5.9 Counterparts

This deed may be executed in any number of counterparts.

5.10 Relationship of the parties

- (a) Nothing in this deed gives a party authority to bind any other party in any way.
- (b) Nothing in this deed imposes any fiduciary duties on a party in relation to any other party.

5.11 Remedies cumulative

Except as provided in this deed and permitted by law, the rights, powers and remedies provided in this deed are cumulative with, and not exclusive of, the rights, powers and remedies provided by law independently of this deed.



Signing page

Executed as a deed

Deed Administrator

Signed sealed and delivered by

Tim Michael

sign here ▶

print name

TIMOTHY JAMES MICHAEL

in the presence of

sign here ▶

Witness

print name

JULIANNE JOSEPHINE PITT.

Deed Administrator

Signed sealed and delivered by

Will Colwell

sign here ▶

print name

WILLIAM MARTIN COLWELL

in the presence of

sign here ▶

Witness

print name

JULIANNE JOSEPHINE PITT.



Signed sealed and delivered by
Carbon Energy Limited (subject to a deed of company arrangement)
in accordance with section 127 of the Corporations Act

sign here ► Peter N. Hogan
Director

print name PETER N. HOGAN

sign here ► Catherine Costello
~~Director~~/Secretary

print name CATHERINE COSTELLO



Signed, sealed and delivered and executed as a deed by
Kam Lung Investment Development Company Limited
by



Sole Director 

Witness 

Print full name of Sole Director **LUI HAI ZHUANG**

Print full name of Witness **James Xavier Keany**

