



carbonenergy

Carbon Energy Limited | ABN 56 057 552 137

ASX Announcement

14 November 2016

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Carbon Energy Limited

ABN 56 057 552 137

Carbon Energy (Operations) Pty Ltd

ABN 61 105 176 967

Notice of 2016 Annual General Meeting

Carbon Energy's 2016 Annual General Meeting will be held on **Thursday, 15 December 2016 at 9:30am** (Brisbane Time) at :

HopgoodGanim Lawyers
Level 7, Waterfront Place
1 Eagle Street, Brisbane.

The Notice of Meeting and Explanatory Memorandum and Voting Form is being mailed to all shareholders today. A copy of these documents follows this announcement and they can be viewed on the Carbon Energy website at www.carbonenergy.com.au

The Carbon Energy 2016 Annual Report will also be mailed today to those shareholders who have elected to receive a printed copy of this document. A copy of this document was lodged with the ASX on 5 August 2016 and is available on the Carbon Energy website at www.carbonenergy.com.au.

The Company also advises that the Annual General Meeting will not be considering any proposed resolutions in relation to the Company's refinancing arrangements (as contemplated in the announcement to ASX on 25 October 2016). These matters will be deferred to an Extraordinary General Meeting of shareholders which is now expected to be held in January 2017. Shareholders will be informed of a meeting date once determined by the Board.

ENDS

For and on behalf of the Board

Catherine Costello

Chief Financial Officer & Company Secretary



carbon**energy**

NOTICE OF
ANNUAL GENERAL MEETING
OF SHAREHOLDERS **2016**

**THURSDAY 15 DECEMBER 2016 AT 9.30AM AEST
HOPGOODGANIM LAWYERS
LEVEL 7, WATERFRONT PLACE
1 EAGLE STREET, BRISBANE, QUEENSLAND**

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 7 3156 7777.

NOTICE OF ANNUAL GENERAL MEETING

THIS NOTICE OF MEETING SHOULD BE READ IN CONJUNCTION WITH THE ATTACHED EXPLANATORY MEMORANDUM.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of members of Carbon Energy Limited ABN 56 057 552 137 (the **Company** or **Carbon Energy**) will be held at HopgoodGanim Lawyers, Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Queensland on Thursday 15 December 2016 at 9.30am AEST.

Terms and abbreviations used in this Notice, including the Explanatory Memorandum are defined in Schedule 1.

BUSINESS OF THE MEETING

Financial Statements and Reports

To receive and consider the Company's financial statements and the reports of the Directors and the Auditor for the year ended 30 June 2016.

RESOLUTIONS

1) To Re-Elect Mr Peter Hogan as a Director

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"That Mr Peter Hogan, who retires by rotation in accordance with Rule 17.2 of the Company's Constitution, and being eligible, be re-elected as a Director of the Company."

2) To Elect Mr Kerry Parker as a Director

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"That Mr Kerry Parker, who was appointed to the Board since the last Annual General Meeting of the Company and who ceases to hold office in accordance with Rule 17.4 of the Company's Constitution, and being eligible, be elected as a Director of the Company."

3) Approval of 10% Placement Facility

To consider and, if thought fit, pass the following resolution with or without amendment, as a Special Resolution:

"That, pursuant to and in accordance with ASX Listing Rule 7.1A, and for all other purposes, the Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2, at a price not less than that determined pursuant to Listing Rule 7.1A.3 and on the terms and conditions in the Explanatory Memorandum ('Placement Securities')."

Voting Exclusion Statement for above Resolution 3:

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Special Resolution by a person and any associates of that person who:

- (a) may participate in the issue of the Placement Securities; or
- (b) might obtain a benefit if this Special Resolution is passed, except a benefit solely in their capacity as a holder of Shares if the resolution is passed.

However, the Company need not disregard a vote cast on Resolution 3 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

4) Approval of the Omnibus Incentive Plan

To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

"Whereas on 9 June, 2016 the Board of Directors of the Company approved the adoption of an omnibus incentive plan of the Company (the "Incentive Plan") in the form attached as Schedule 3 to the Explanatory Memorandum;

And Whereas there will be a maximum number of Equity Securities of the Company issuable as awards under the Incentive Plan as is equal to 5% of the number of issued and outstanding shares of the Company at the time of granting such awards;

NOTICE OF ANNUAL GENERAL MEETING

That for the purpose of Listing Rule 7.2 exception 9(b) and for all other purposes, the Company's Incentive Plan, the terms of which are summarised in the Explanatory Memorandum, is hereby approved and adopted as the incentive plan of the Company, and any director or officer of the Company is hereby authorised to do such things and to sign, execute and deliver all documents that such director or officer may, in their discretion, determine to be necessary in order to give full effect to the intent and purpose of this resolution and that for the purposes of Exception 9(b) of Listing Rule 7.2 and for all other purposes, the issue of Equity Securities under the Incentive Plan within three (3) years from the date of this resolution be an exception to Listing Rules 7.1 and 7.1A."

Voting Exclusion Statement for above Resolution 4 – Listing Rule 14.11:

The Company will disregard any votes cast on the above Resolution by:

- (a) a director of the entity (except one who is ineligible to participate in any employee incentive scheme in relation to the entity); and
- (b) any associate of that person (or those persons).

However, the Company need not disregard a vote cast on Resolution 4 if:

- (c) it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (d) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Exclusion Statement for above Resolution 4 – Section 250BD:

Pursuant to section 250BD of the Corporations Act a vote on Resolution 4 must not be cast by:

- (a) any member of Key Management Personnel of the Company or if the Company is part of a consolidated entity, of the entity; or
- (b) a Closely Related Party of such a member,

who is appointed as a Shareholder's proxy, on the basis of that appointment, where the Shareholder does not specify in writing the way the proxy is to vote on the resolution. However, the Company need not disregard a vote if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, where the Shareholder does not specify in writing the way the proxy is to vote on the resolution, if the appointment of proxy expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company or if the Company is part of a consolidated entity, of the entity.

5) To Approve the Issue of CEO Performance Rights to Mr Kerry Parker

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"That for the purpose of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue to Mr Kerry Parker of a total of 43,615,386 Performance Rights with a nil exercise price each comprising of the following:

- (a) 14,538,462 Performance Rights vesting on 30 June 2017, expiring on 30 June 2022 and subject to a performance and service period condition as follows:
 - (i) 50% (7,269,231 Performance Rights) based on commencement of drilling of the first panel for the JinHong JV Demonstration Project on/before 30 June 2017;
 - (ii) 50% (7,269,231 Performance Rights) based on remaining employed with the Company as at 30 June 2017;
- (b) 14,538,462 Performance Rights vesting on 30 June 2018, expiring on 30 June 2023 and subject to a performance and service period condition as follows:
 - (i) 50% (7,269,231 Performance Rights) based on successful ignition of the JinHong Joint Venture Demonstration Project, securing of an additional third party licence with significant upfront fees / joint venture arrangement and the commencement of development of a second demonstration / development project on/before 30 June 2018;
 - (ii) 50% (7,269,231 Performance Rights) based on remaining employed with the Company as at 30 June 2018;
- (c) 14,538,462 Performance Rights vesting on 30 June 2019, expiring on 30 June 2024 and subject to a performance and service period condition as follows:
 - (i) 50% (7,269,231 Performance Rights) based on securing an additional third party licence with significant upfront fees / joint venture arrangement and finalisation of the development of a second demonstration / development project on/before 30 June 2019;
 - (ii) 50% (7,269,231 Performance Rights) based on remaining employed with the Company as at 30 June 2019.

As announced on 23 August 2016 and otherwise on the terms set out in the Explanatory Memorandum."

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Notes

Further details of the Performance Rights the subject of Resolution 5 are contained within the Explanatory Memorandum.

Voting Exclusion Statement for above Resolution 5 – Listing Rule 14.11:

The Company will disregard any votes cast on the above Resolution by Mr Kerry Parker and any associate of him.

However, the Company need not disregard a vote cast on Resolution 5 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote and the appointment expressly authorises the chair of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Voting Exclusion Statement for above Resolution 5 - section 250BD of the Corporations Act

Pursuant to section 250BD of the Corporations Act a vote on Resolution 5 must not be cast by:

- (a) any member of Key Management Personnel of the Company or if the Company is part of a consolidated entity, of the entity; or
- (b) a Closely Related Party of such a member,

who is appointed as a Shareholder's proxy, on the basis of that appointment, where the Shareholder does not specify in writing the way the proxy is to vote on the resolution.

However, the Company need not disregard a vote if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, where the Shareholder does not specify in writing the way the proxy is to vote on the resolution, if the appointment of proxy expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company or if the Company is part of a consolidated entity, of the entity.

6) Issue of a Maximum of 250 Million Shares

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

“That, for the purposes of Listing Rule 7.1 and for all other purposes, the issue of up to 250,000,000 Shares by the Company on the terms and conditions set out in the Explanatory Memorandum accompanying the notice of meeting is approved.”

7) Appointment of Auditor

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

“That, pursuant to and in accordance with section 327B of the Corporations Act and for all other purposes, Grant Thornton Audit Pty Ltd, having consented to act as the Company's auditor, is appointed as the Company's auditor on the terms and conditions in the Explanatory Memorandum.”

8) To Adopt the Remuneration Report

To consider and, if thought fit, to pass the following non-binding resolution as an Ordinary Resolution:

“That for the purpose of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the period ended 30 June 2016 and contained in the Annual Report (as set out on pages 22 to 36 of the Directors' Report) for the Company be adopted.”

Advisory Resolution

The vote on this Resolution 8 is advisory only and does not bind the Directors of the Company.

Voting Restriction pursuant to Section 250R(4) of the Corporations Act

A vote on Resolution 8 must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel (**KMP**) whose remuneration details are included in the Remuneration Report; and
- (b) a Closely Related Party of such a KMP (including close family members and companies the KMP controls).

However, a person described above may cast a vote on Resolution 8 as a proxy if the vote is not cast on behalf of a person described above and either:

NOTICE OF ANNUAL GENERAL MEETING

- (a) the proxy appointment is in writing that specifies the way the proxy is to vote (e.g. for, against, abstain) on the resolution; or
- (b) the vote is cast by the chair of the Meeting and the appointment of the chair as proxy:
 - does not specify the way the proxy is to vote on the resolution; and
 - expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions the subject of this Meeting, including Resolution 10, subject to compliance with the Corporations Act. In exceptional circumstances, the Chair of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

GENERAL BUSINESS

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

All members are invited to attend.

An Explanatory Memorandum to Shareholders follows and forms a part of this Notice.

By Order of the Board



Catherine Costello
Company Secretary
14 November 2016

EXPLANATORY MEMORANDUM

THIS EXPLANATORY MEMORANDUM SHOULD BE READ IN ITS ENTIRETY. IF SHAREHOLDERS ARE IN DOUBT AS TO HOW THEY SHOULD VOTE, THEY SHOULD SEEK ADVICE FROM THEIR ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISER PRIOR TO VOTING.

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Annual General Meeting of Shareholders to be held on Thursday 15 December 2016 at 9.30am AEST.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting.

Terms used in this Explanatory Memorandum are defined in the Interpretation section.

BUSINESS OF THE MEETING

Financial Statements and Reports

Section 317 of the Corporations Act requires the Directors of the Company to lay before the Annual General Meeting the Financial Report, Director's Report and the Auditor's Report for the last financial year that ended before the AGM.

In accordance with section 250S of the Corporations Act, Shareholders will be provided with a reasonable opportunity to ask questions or make statements in relation to those reports but no formal resolution to adopt the reports will be put to Shareholders at the AGM (save for Resolution 8 for the adoption of the Remuneration Report).

Shareholders will be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report. In addition to taking questions at the AGM, written questions to the Chairman about the management of the Company, or the Company's Auditor regarding:

- the preparation and content of the Auditor's Report;
- the conduct of the audit;
- accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the Auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the AGM, i.e. no later than 8 December 2016, to the registered office of the Company.

A copy of the 2016 Annual Report is available at www.carbonenergy.com.au within the Announcements & Reports section of the website.

RESOLUTIONS

The following matters should be noted in respect of the various items of business:

RESOLUTION 1 (ORDINARY) – TO RE-ELECT MR PETER HOGAN AS A DIRECTOR

Background to Resolution 1

In accordance with Rule 17.2 of the Constitution, one third of the Directors need to retire by rotation each year. Accordingly, Mr Peter Hogan is required to retire at the end of the forthcoming AGM, and being eligible, offers himself for re-election as a Director of the Company.

Mr Hogan was appointed to the Board on 29 August 2008 and was most recently re-elected as a director at the 2014 Annual General Meeting.

Mr Hogan is a Chartered Accountant providing business advisory services to a diverse range of clients. Mr Hogan was previously a Strategy and Development Executive with Incitec Pivot Ltd. Mr Hogan continues to provide some financial and commercial advisory services to Incitec Pivot on an arms length, fee for service basis.

Prior to joining Incitec Pivot in early 2008, Mr Hogan worked with PricewaterhouseCoopers for 23 years, including 17 years as Partner. He has extensive experience in providing business advisory services to Australian and overseas listed public companies and large private companies. He has particular experience with companies in the consumer and industrial product sectors and the mining sector.

During the past three years Mr Hogan has held the following other listed company Directorships:

- OneAll International Ltd (from December 2015) Non-Executive Director

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- SGX listed Fabchem China Ltd (from July 2008 to November 2013) Non-Executive Director

Mr Hogan is a member of the Audit & Risk, Remuneration and Nomination Committees.

Recommendation of Directors:

The Directors (apart from Mr Hogan) recommend that the Shareholders vote in favour of the resolution to appoint Mr Hogan as a Director of the Company.

RESOLUTION 2 (ORDINARY) – TO ELECT MR KERRY PARKER AS A DIRECTOR

Background to Resolution 2

Rule 17.4 of the Constitution provides that any Director who has been appointed by the other Directors only holds office to the end of the next annual general meeting and is then eligible to stand for re-election at the next annual general meeting.

Mr Parker was appointed as the Managing Director on 1 September 2016 by the other Directors. Accordingly, Mr Parker retires as a Director at the end of the forthcoming AGM, however, being eligible, offers himself for re-election as a Director of the Company.

Details of Mr Parker's background and experience is as follows:

Mr Kerry Parker
Managing Director and Chief Executive Officer
B Bus, ACA, MAICD, SA Fin

Mr Parker is a highly regarded senior executive within the energy, mining, and resources sectors, with over 25 years experience both in Australia and internationally (in Asia, Europe, southern Africa, and the United States).

Mr Parker originally commenced his career with KPMG and over a period of approximately 8 years was responsible for a significant number of audit, advisory, due diligence and capital raising assignments.

Mr Parker has held Chief Financial Officer and Managing Director roles with a number of ASX listed entities, including Arrow Energy Limited, CH4 Gas Limited, Panax Geothermal Limited, Inova Resources Limited, Discovery Metals Limited, and Unity Mining Limited. Prior to these roles Kerry held senior finance positions with both Downer Group and Santos. He has also held a number of Non Executive Director roles with both publicly listed and private companies in the resources sector.

Mr Parker has had significant and demonstrated experience across the entire resources life cycle, from exploration projects, into feasibility, development and operation of major projects. He has had significant experience in operational management, management of large joint ventures, commercial negotiations, capital raising (debt and equity) and for management of M and A related activities.

Recommendation of Directors:

The Directors (apart from Mr Parker) recommend that the Shareholders vote in favour of the resolution to appoint Mr Parker as a Director of the Company.

RESOLUTION 3 (SPECIAL) - APPROVAL OF 10% PLACEMENT FACILITY

Introduction

Pursuant to Resolution 3, the Company is seeking shareholder approval to issue an additional 10% of issued capital over a 12 month period pursuant to ASX Listing Rule 7.1A. If passed, this resolution will allow the Company to allot and issue up to the number of new Equity Securities calculated in accordance with ASX Listing Rule 7.1A.2 ('Placement Securities') each at an issue price calculated in accordance with ASX Listing Rule 7.1A.3 ('Issue Price').

This approval is sought pursuant to Listing Rule 7.1A. Under Listing Rule 7.1A small and mid- cap listed entities that meet the eligibility threshold and have obtained the approval of their ordinary shareholders by special resolution at the annual general meeting, are permitted to issue an additional 10% of issued capital over a 12 month period from the date of the annual general meeting ('Additional 10% Placement').

The Additional 10% Placement under Listing Rule 7.1A is in addition to the ability of the Company to issue 15% of its issued capital without shareholder approval over a 12 month period pursuant to Listing Rule 7.1. The Company may issue the Placement Securities to raise funds for the Company and as non-cash consideration (further details of which are set out below). Funds raised from the issue of Placement Securities, if undertaken, would be applied towards delivering on the Company's strategic priorities, the

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highest of which being to secure project commencement in China and to continue to progress international business development opportunities. Additionally funds raised would be used for expenses associated with the issue of Placement Securities as well as for general working capital.

Listing Rule 7.1A

General

Eligibility

An entity is eligible to undertake an Additional 10% Placement if at the time of its annual general meeting it has a market capitalisation of \$300 million or less and it is not included in the S&P/ASX300 Index.

For illustrative purposes only, on 12 October 2016 the Company's market capitalisation was \$25.4 million based on the Closing Trading Price on that date. The calculation of market capitalisation will be based on the Closing Price of the Shares, on the last Trading Day on which trades in the Shares were recorded before the date of the AGM, multiplied by the number of Shares on issue (excluding restricted securities and securities quoted on a deferred settlement basis).

The Company is also not included in the S&P/ASX300 Index as at the time of this AGM, however, it should be noted that the S&P/ASX300 Index is rebalanced twice a year in March and September.

The Company is therefore an Eligible Entity and able to undertake an Additional 10% Placement under Listing Rule 7.1A.

In the event that the Company for any reason ceases to be an Eligible Entity after the Company has already obtained Shareholders' approval pursuant to this Resolution 3, the approval obtained will not lapse and the Company will still be entitled to issue the Placement Securities.

Shareholder Approval

The ability to issue the Placement Securities is conditional upon the Company obtaining Shareholder approval by way of a Special Resolution at the Meeting (which means that it must be passed by at least 75% of the votes cast by members entitled to vote on the resolution).

10% Placement Period – Listing Rule 7.1A.1

Assuming Resolution 3 is passed, Shareholder approval of the Additional 10% Placement under Listing Rule 7.1A is valid from the date of the AGM and expires on the earlier to occur of:

- the date that is 12 months after the date of the AGM; or
- the date of the approval by Shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),
- or such longer period if allowed by ASX.

If approval is given for the issue of the Placement Securities then the approval will expire, on 16 December 2017, unless Shareholder approval is granted pursuant to Listing Rules 11.1.2 or 11.2 prior to that date.

Calculation for Additional 10% Placement – Listing Rule 7.1A.2

Listing Rule 7.1A.2 provides that Eligible Entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

(A x D) – E

A is the number of ordinary securities on issue 12 months before the date of issue or agreement:

- plus the number of fully paid ordinary securities issued in the 12 months under an exception in Listing Rule 7.2;
- plus the number of partly paid ordinary securities that became fully paid in the 12 months;
- plus the number of fully paid ordinary securities issued in the 12 months with approval of holders of ordinary securities under Listing Rules 7.1 or 7.4. [Note: This does not include an issue of fully paid ordinary securities under the entity's 15% placement capacity without Shareholder approval];

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- less the number of fully paid ordinary securities cancelled in the 12 months.

D is 10 percent.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rules 7.1 or 7.4.

Listing Rule 7.1A.3

Equity Securities

Any Equity Securities issued under the Additional 10% Placement must be in the same class as an existing quoted class of Equity Securities of the Company.

As at the date of this Notice of Meeting, the Company has two classes of Equity Securities which are quoted on the ASX being, Shares and Attaching Options. The Company presently has 1,813,428,879 Shares on issue, as at the date of this Notice of Meeting.

Information to be given to ASX – Listing Rule 7.1A.4

If Resolution 3 is passed and the Company issues any Placement Securities under Listing Rule 7.1A, the Company will give to ASX:

- (a) a list of allottees of the Placement Securities and the number of Placement Securities allotted to each (this list will not be released to the market); and
- (b) the following information required by rule 3.10.5A, which will be released to the market on the date of issue:
 - details of the dilution to the existing holders of ordinary securities caused by the issue;
 - where the Equity Securities are issued for cash consideration, a statement of the reasons why the Company issued the Equity Securities as a placement under rule 7.1A and not as (or in addition to) a pro rata issue or other type of issue in which existing Shareholders would have been eligible to participate;
 - details of any underwriting arrangements, including any fees payable to the underwriter; and
 - any other fees or costs incurred in connection with the issue.

Listing Rule 7.1 and 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 1,813,428,879 Shares. Assuming no further securities are issued prior to Meeting, the Company will have the capacity to issue the following Equity Securities on the date of the Meeting:

- (a) 272,014,331 Equity Securities under Listing Rule 7.1 (assuming Resolution 3 is passed); and
- (b) subject to Shareholder approval being obtained under Resolution 3, 181,342,887 Equity Securities under Listing Rule 7.1A (assuming Resolution 3 is passed).

The actual number of Equity Securities that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (as described above).

Specific Information required by Listing Rule 7.3A

Minimum Price of securities issued under Listing Rule 7.1A – Listing Rule 7.3A.1

Pursuant to and in accordance with Listing Rule 7.1A.3, the Placement Securities issued pursuant to approval under Listing Rule 7.1A must have an issue price of not less than 75% of the volume weighted average market price (VWAMP) for the Equity Securities over the 15 Trading Days immediately before:

- (a) the date on which the price at which the Placement Securities are to be issued is agreed; or
- (b) if the Placement Securities are not issued within 5 Trading Days of the date in paragraph (a) above, the date on which the Placement Securities are issued.

The minimum price cannot be determined at this stage, however, the Company will disclose to the ASX the issue price on the date of issue of the Placement Securities.

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Risk of economic and voting dilution – Listing Rule 7.3A.2

As provided by Listing Rule 7.3A.2, if Resolution 3 is passed and the Company issues the Placement Securities, there is a risk of economic and voting dilution to the existing Shareholders. The Company currently has on issue 1,813,428,879 Shares. Assuming Resolution 3 is passed, the Company could issue 181,342,887 Placement Securities on the date of the Meeting (however, it is important to note that the exact number of Equity Securities which may be issued will be calculated in accordance with the formula contained in Listing Rule 7.1A.2 details of which are set out above). Any issue of Placement Securities will have a dilutive effect on existing Shareholders.

In particular, in relation to the issue of any Placement Securities, there is a risk that:

- (a) the Market Price for the Company's Equity Securities may be significantly lower on the date of the issue of any Placement Securities than it is on the date of the Meeting; and
- (b) the Placement Securities may be issued at a price that is at a discount to the Market Price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue or the value of the Placement Securities.

As required by Listing Rule 7.3A.2, Table 1 below shows the potential economic and voting dilution effect, in circumstances where the issued share capital has doubled and the Market Price of the Shares has halved. Table 1 also shows additional scenarios in which the number of issued Shares have increased (by both 50% and 100%) and the Market Price of the Shares has decreased by 50% and increased by 100%.

Table 1

| Issued Share Capital | 50% decrease in Market Price \$0.0065 | | Current Market Price \$0.013 | | 100% increase in Market Price \$0.026 | |
|--|--|----------------|---------------------------------|----------------|--|----------------|
| | 10 % Voting Dilution | Capital Raised | 10 % Voting Dilution | Capital Raised | 10 % Voting Dilution | Capital Raised |
| Present Issued Share Capital = 1,813,428,879 Shares | 181,342,887 | 1,178,729 | 181,342,887 | 2,357,458 | 181,342,887 | 4,714,915 |
| 50% Increase in Share Capital = 2,720,143,319 Shares | 272,014,331 | 1,768,093 | 272,014,331 | 3,536,186 | 272,014,331 | 7,072,373 |
| 100% Increase in Share Capital = 3,626,857,758 Shares | 362,685,775 | 2,357,458 | 362,685,775 | 4,714,915 | 362,685,775 | 9,429,830 |

Assumptions and explanations

- Resolution 3 is approved.
- The Market Price is \$0.013 based on the closing price of the Shares on ASX on 4 November 2016.
- The above table only shows the dilutionary effect based on the issue of the Placement Securities (assuming only Shares are issued) and not any Shares issued under the 15% under Listing Rule 7.1.
- The table does not show an example of dilution that may be caused to a particular shareholder by reason of placements under the 10% Placement Facility, based on that shareholder's holding at the date of the Meeting.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue.
- The Company issues the maximum number of Placement Securities.
- No Options (including any Options issued following approval of this Resolution) are exercised into Shares before the date of the issue of the equity securities under Listing Rule 7.1A.
- The Issued Share Capital has been calculated in accordance with the formula in Listing Rule 7.1A(2) as at 12 October 2016.
- The issue price of the Placement Securities used in the table is the same as the Market Price and does not take into account the discount to the Market Price (if any).

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Final date for issue – Listing Rule 7.3A.3

As required by Listing Rule 7.3A.3, the Company will only issue and allot the Placement Securities during the 12 months after the date of this Meeting which the Company anticipates will end on 15 December 2017. The approval under Resolution 3 for the issue of the Placement Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities of the Company) or Listing Rule 11.2 (the disposal of the main undertaking of the Company) before the anniversary of the AGM.

Purpose – Listing Rule 7.3A.4

As noted above, the purpose for which the Placement Securities may be issued includes to raise funds for the Company and as non-cash consideration (further details of which are set out below). Funds raised from the issue of Placement Securities, if undertaken, would be applied towards delivering on the Company's strategic priorities, the highest of which being to secure project commencement in China and to continue to progress international business development opportunities. Additionally funds raised would be used for expenses associated with the issue of Placement Securities as well as being used for general working capital.

Shares Issued for Non-cash consideration – Listing Rule 7.3A.4

The Company may issue Placement Securities for non-cash consideration, such as the acquisition of new assets or investments or the payment of interest (including under the existing Convertible Note Facility) or other expenses of the Company. If the Company issues Placement Securities for non-cash consideration, the Company will release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the Placement Securities complies with Listing Rule 7.1A.3.

Company's Allocation Policy – Listing Rule 7.3A.5

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue of the Placement Securities. The identity of the allottees of Placement Securities will be determined on a case-by-case basis having regard to a number of factors including but not limited to the following:

- the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing Shareholders can participate;
- the effect of the issue of the Placement Securities on the control of the Company;
- the financial situation and solvency of the Company and its projected need for working capital at any given time; and
- advice from corporate, financial and broking advisers (if applicable).

The allottees of the Placement Securities have not been determined as at the date of this Notice but may include existing substantial shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments for which Placement Securities are issued as consideration, it is likely that the allottees of some of the Placement Securities will be the vendors of the new assets or investments.

Company has previously obtained shareholder approval under Listing Rule 7.1A – Listing Rule 7.3A.6

The Company previously obtained Shareholder approval under Listing Rule 7.1A at the 2015 AGM but has not issued any Equity Securities under this authority.

As the Company has previously obtained Shareholder approval under Listing Rule 7.1A, the following information is provided to Shareholders, in accordance with Listing Rule 7.3A.6, regarding the Equity Securities issued in the previous 12 months preceding the date of the AGM (that is, since 15 December 2015):

Listing Rule 7.3A.6(a): Total equity securities issued in previous 12 months are set out below.

| | |
|--|---------------|
| Number of equity securities on issue at commencement of 12 month period | 1,487,938,870 |
| Equity securities issued in prior 12 month period | 325,490,009 |
| Percentage above issues represent of total number of equity securities on issue at commencement of 12 month period | 21.9% |

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Listing Rule 7.3A.6(b): Details of equity securities issued in the 12 months prior to the date of the AGM are set out in Schedule 2.

Voting Exclusion Statement

A voting exclusion statement is included in the Notice of Meeting. At the date of the Notice of Meeting, the proposed allottees of any Placement Securities are not as yet known or identified. In these circumstances (and in accordance with the note set out in Listing Rule 14.11.1 relating to Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of the Placement Securities), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

RESOLUTION 4 (ORDINARY) – APPROVAL OF THE OMNIBUS INCENTIVE PLAN

ASX Listing Rule 7.1 prohibits the Company issuing equity securities which, in aggregate, exceed 15% of the fully paid ordinary share capital of the Company in any 12 month period without shareholder approval.

ASX Listing Rule 7.2 exception 9 (b) provides that the 15% limit in ASX Listing Rule 7.1 or the Additional 10% Placement Capacity under ASX Listing Rule 7.1A will not apply to the issue of securities by the Company under an employee incentive scheme if the scheme (and issues of equity securities under the Scheme) has been approved by shareholders within three years before the date of the issue.

The purpose of Resolution 4 is to consider and approve the implementation of an omnibus Incentive Plan (OIP) for the Company (and issues of equity securities under the OIP) in accordance with ASX Listing Rule 7.2, exception 9. If the OIP is approved, any securities issued under the OIP in the course of the next three years will be excluded from the Company's 15% limit for the purpose of ASX Listing Rule 7.1 and for the purposes of the Additional 10% Placement capacity under Listing Rule 7.1A.

No previous issue of securities has been made under the OIP. The Board considers the OIP to be a key part of the Company's remuneration strategy going forward and to assist in the alignment of shareholder, director, employee and contractors interests.

No issues of equity securities to directors or other related parties can be made under the OIP without separate shareholder approval under the ASX Listing Rules.

Background

The Company has previously operated a securities incentive program. The terms and conditions of the incentive plan offers made to eligible employees (participants) over this duration have been agreed in letters between the Company and the participant, disclosed annually in the remuneration report and where required the issue thereof approved by shareholder's at the annual general meetings. However, the Company has not previously has a formal group incentive plan documented.

Remuneration governance practice is for incentive plan to be documented setting out the parameters for the Remuneration Committee to work within. A documented plan provides clarity and transparency to Shareholders and participants on the operation of the Company's incentive plan.

On 9 June, 2016, the Directors approved the adoption of an omnibus incentive plan of the Company in the form attached as Schedule 3 to this Explanatory Memorandum (the "Incentive Plan"), subject to approval by the Shareholders at the Meeting. At the Meeting, the Shareholders will be asked to consider and, if deemed advisable, to approve the adoption by the Company of the Incentive Plan and the issue of equity securities under the Incentive Plan, the full text of which is included in the Notice of Meeting attached hereto.

The Incentive Plan has been drafted to comply with the policies of the ASX as they exist at the date of this Explanatory Memorandum. The following information is intended as a summary of the Incentive Plan, and is qualified in its entirety by the more detailed provisions of the Incentive Plan in the form attached as Schedule 3 to this Explanatory Memorandum.

A summary of the terms of the Incentive Plan is as follows:

Purpose and Administration of the Incentive Plan

The Incentive Plan is intended to furnish an incentive to directors, officers, senior executives and other employees of the Company, consultants and service providers providing ongoing services to the Company ("**Eligible Participants**", and when such Eligible Participants are granted Awards (as defined below), the "**Participants**") to continue their services for the Company and to encourage such Eligible Participants whose skills, performance and loyalty to the objectives and interests of the Company are necessary to its success.

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The Incentive Plan will permit the granting of options (“**Options**”), bonus shares (“**Bonus Shares**”), and performance rights (“**Performance Rights**” and together with the Options, the Bonus Shares and the Performance Rights, the “**Awards**”) to Eligible Participants of the Company. The Incentive Plan will be administered by the Board or by a committee appointed by a resolution of the Board (the “**Committee**”).

The purpose of the Plan is to permit the Company to grant Awards to Participants, subject to certain conditions, for the following purposes:

- (a) to increase the interest in the Company’s welfare of those Participants, who share responsibility for the management, growth and protection of the business of the Company or a Group Company;
- (b) to provide an incentive to such Participants to continue their services for the Company or Group Company and to encourage such Participants whose skills, performance and loyalty to the objectives and interests of the Company or Group Company are necessary or essential to its success, image, reputation or activities;
- (c) to reward the Participants for their performance of services while working for the Company or Group Company; and
- (d) to provide a means through which the Company or Group Company may attract and retain able Persons to enter its employment.

The Plan provides flexibility for the Board to invite participants that the Board feels can have a significant impact on the Company’s long-term results.

Eligibility/Participation

Any director, employee or consultant (or their approved ‘permitted nominee’) of the Company who is determined by the Board to be eligible to participate in the Incentive Plan (‘participant’). A permitted nominee includes a company controlled by the participant, a trust in which the participant has, or may have entitlements or such other entity as approved by the Board.

General Terms Applicable to Awards

If approved, the total number of Shares reserved and available for grant and issuance shall not exceed a number of Shares equal to five percent (5%) of the total issued and outstanding Shares of the Company at the time of granting of such Awards (on a non-diluted basis) (presently being 90,671,444 Shares, based on 1,813,428,879 Shares issued and outstanding at present) where the grant or proposed offer is to be made in reliance of ASIC Class Order 14/1000. Shares issued other than in reliance on ASIC Class Order 14/1000 are not subject to this 5% cap, however, the grant of any awards under the Incentive Plan must not result in an Eligible Participant and their associates holding or gaining the ability to control more than 10% of the voting power in the Company.

The Incentive Plan is considered an “evergreen plan” since: (i) any increase in the issued and outstanding Shares from time to time (whether as a result of exercise of Awards or otherwise) will result in an increase in the number of Shares that may be issued in respect of Awards; and (ii) any Shares issued under Awards which have been exercised will be available for subsequent grants of Awards under the Incentive Plan.

The Incentive Plan provides that the aggregate number of Shares: (a) issued to insiders under the Incentive Plan or any other proposed or established share compensation arrangement within any one-year period; and (b) issuable to insiders at any time under the Incentive Plan or any other proposed or established share compensation arrangement, shall not in each case exceed five percent (5%) of the issued and outstanding Shares (on a non-diluted basis). The Incentive Plan does not otherwise provide for a maximum number of Shares which may be issued or issuable to an individual pursuant to the Incentive Plan or any other share compensation arrangement (expressed as a percentage or otherwise).

Unless the Board determines otherwise, where a Participant ceases to be an Eligible Participant:

- (a) by reason of resignation, termination for poor performance or termination for cause, all the Awards held by the Participant, or on the Participant’s behalf, will lapse or be forfeited (as the case may be); or
- (b) for any other reason, including (but not limited to): (i) his or her death; (ii) total and permanent disablement; (iii) redundancy; (iv) retirement; or (v) termination by agreement, in each case all the Participant’s Awards will continue to be held by, or on behalf of, the Participant (or his or her estate as representative) subject to this Plan and any relevant agreement.

However, the Board, in its discretion, may determine within 4 months of a Participant ceasing to be an Eligible Participant that some or all of a Participant’s Awards: (a) lapse or are forfeited, as the case may be; (b) vest; (c) are only exercisable for a prescribed period and will otherwise lapse; and/or (d) are no longer subject to some of the restrictions (including any vesting conditions) that previously applied, as a result of the Participant ceasing employment.

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In the event of a change in control of the Company, all of a Participant's Awards vest, Awards are no longer subject to some or all of the restrictions that applied upon grant and/or are subject to Performance Forgiveness. Further, upon a change in control in the Company, the directors in their discretion may extend the date on which any Award expires.

Awards granted or awarded under the Incentive Plan may be transferable or assignable only to a "permitted assign" and shall be exercisable only by the Participant or his or her permitted assign. Under the Incentive Plan, "permitted assigns" include, but are not limited to, a trustee, custodian or administrator acting on behalf of, or for the benefit of, the Participant, a holding entity of the Participant, a registered retirement savings plan or registered retirement income fund of the Participant or a Participant's spouse.

The Board or the Committee, as the case may be, may in its sole discretion, appoint from time to time one or more entities to act as administrative agent to administer the Awards under the Incentive Plan.

The Company may provide financial assistance to Participants in connection with the granting of Loan Shares to assist them in acquiring such Loan Shares, by the Company granting a loan to Participants. Unless the Board determines otherwise, such Loan Shares issued to Participants pursuant to the Incentive Plan will be pledged as collateral for the Participant's obligations under the loan until it has been fully repaid or forgiven, as applicable.

Specific Terms Related to the Options

The Board or the Committee will: (i) set the term of the Options granted under the Incentive Plan; and (ii) fix the vesting terms of Options as it deems appropriate at the time of the grant of such Options. Should the expiration date for an Option fall within a period during which designated persons cannot trade in any securities of the Company pursuant to the Company's policy respecting restrictions on insider trading which is in effect at that time (a "**Black-Out Period**").

The exercise price of any Options granted pursuant to the Incentive Plan will be determined by the Board or the Committee at the time of the grant, provided that the exercise price shall not be less than the volume weighted average trading price of the Shares for the last five trading days prior to the date of grant on the principal stock exchange on which the Company's Shares are listed (the "**Market Value**").

With the consent of the Board or the Committee, a Participant may, rather than exercise the Option which the Participant is entitled to exercise under the Incentive Plan, elect to exercise such Option, in whole or in part and, in lieu of receiving the Shares to which the exercised Option relate, receive the number of Shares, disregarding fractions, which, when multiplied by the Market Value of the Shares to which the exercised Option relate, have a value equal to the product of the number of Shares to which the exercised Option relate multiplied by the difference between the Market Value of such Shares and the price of such Option. The Board may also, in its absolute discretion, allow the Participant to elect to receive a cash payment from the Company of the Market Value of the Shares that would otherwise be issued instead of receiving the Shares.

Specific Terms Related to the Performance Rights

The Board or the Committee, as the case may be, will from time to time by resolution, in its sole discretion: (i) designate the Participants who may receive Performance Rights under the Incentive Plan; (ii) fix the number of Performance Rights, if any, to be granted to each Participant; and (iii) determine the relevant conditions and vesting provisions (the "Performance Right Restriction Conditions") (including performance criteria, the applicable period in which any performance criteria and other vesting conditions, if any, must be met), and provide such terms to the Participant under a separate agreement. On a vesting determination date ("Performance Right Vesting Determination Date") the Board will determine if the Performance Right Restriction Conditions with respect to a Performance Right have been met and, as a result, establish the number of Performance Rights that become vested, if any.

Each Performance Right will entitle the Participant to one Share upon confirmation by the Board that the vesting conditions, including the Performance Right Restriction Conditions, if any, have been met. The issue price per Share issuable upon vesting of a Performance Right shall be determined by the Board or the Committee at the time the Performance Rights are issued, and such issue price may be zero. All Shares issued to Participants pursuant to Performance Rights under the Incentive Plan may be certificated or uncertificated. The Board may, in its absolute discretion, determine to satisfy a Participant's entitlement on satisfaction of the Performance Right Vesting Conditions through a cash payment in lieu of an allocation of Shares.

Specific Terms Related to the Bonus Shares

The Board or the Committee, as the case may be, will fix the number of Bonus Shares that will be granted to Eligible Participants and will determine the restrictions and conditions that will be applicable to such Bonus Shares. Bonus Shares issued under the Incentive Plan will vest after all conditions imposed by the Board in its sole discretion have been met (the "Bonus Share Restricted Period"). Unless restricted by the Board, holders of Bonus Shares will be entitled to exercise the voting rights attached to such Bonus Shares upon issuance of the Bonus Shares, regardless of any Bonus Share Restricted Period. The issue price per Bonus

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Share issued under the Incentive Plan shall be determined by the Board or the Committee at the time the Bonus Shares are issued, but such issue price shall not be less than the Market Value.

Shares are to be awarded based on the Issue Price.

All Bonus Shares granted under the Incentive Plan may be certificated or uncertificated. Certificated Bonus Shares shall bear a legend outlining the restrictions thereto and such certificates shall remain in the possession of the Company until such Bonus Shares have vested. A Participant may not sell, transfer, assign, mortgage or charge or otherwise encumber any Bonus Share during any Bonus Share Restricted Period.

Subject to the Board determining otherwise or as set forth in any Bonus Share agreement, upon a Participant ceasing to be an Eligible Participant for any reason, the Participant will be deemed to have agreed to dispose of any Bonus Shares that have not vested at such time to the Company or its nominee for nominal consideration.

Amendment

The Board has the discretion to make amendments to the Incentive Plan which it may deem necessary, without the consent of the Participants, provided that such amendments shall:

- (a) not adversely alter or impair any Award previously granted except as permitted by the provisions of the Incentive Plan;
- (b) be subject to any regulatory approvals including, where required, the approval of the ASX; and
- (c) be subject to shareholder approval, where required, by law or the requirements of the ASX, provided that shareholder approval shall not be required for the following amendments, which may be made by the Board without shareholder approval:
 - (i) amendments of a “housekeeping” nature or ministerial nature, including without limitation, any amendment for the purpose of curing any ambiguity, error or omission in this Plan or to correct or supplement any provision of this Plan that is inconsistent with any other provision of this Plan;
 - (ii) a change to the Vesting provisions of any Award, including a determination that the some or all of the Awards have Vested;
 - (iii) a change to the Eligible Participants of the Plan;
 - (iv) for the purpose of enabling the Participants generally (but not necessarily each Participant) to receive a more favourable taxation treatment in respect of their participation in the Plan;
 - (v) to enable the Plan or any Group Company to comply with the Act, the listing rules and requirements of the Exchange or its Constitution; or
 - (vi) any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law (including, without limitation, the rules, regulations and policies of the Exchange).

The Board shall be required to obtain shareholder approval to make the following amendments:

- (a) any change to the maximum number of Shares of the Company issuable under the Incentive Plan, except such increase resulting from any increase in the issued and outstanding Shares of the Company (whether as a result of exercise of Awards or otherwise) and in the event of an adjustment pursuant to the Incentive Plan;
- (b) any amendment which reduces the exercise price of any Award after such Awards have been granted;
- (c) any amendment which extends the term of an Award held by an insider beyond the original expiry date, except as otherwise permitted by the Incentive Plan; and
- (d) amendments required to be approved by shareholders under applicable law or TSX requirements.

Grant of Securities

All securities are to be offered to eligible participants for no consideration. The offer must be in writing and specify, amongst other things, the number of securities for which the eligible participants may apply, the period within which the Awards may be exercised, any conditions to be satisfied before exercise, the Award expiry date and the exercise price of the Awards, as determined by the Board. The Board can impose any restrictions on the exercise of the Awards as it see fit.

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Directors' recommendation

The Directors abstain, in the interests of corporate governance, from making a recommendation in relation to this resolution.

RESOLUTION 5 (ORDINARY) – TO APPROVE THE ISSUE OF CEO PERFORMANCE RIGHTS TO MR KERRY PARKER

Mr Parker was appointed to the role of Chief Executive Officer and Managing Director of the Company on 1 September 2016.

The key terms of appointment of Mr Parker were announced on 23 August 2016. Mr Parker's remuneration comprises fixed remuneration, a short term incentive and a long term incentive in the form of performance rights to subscribe for Shares. The Company and Mr Parker have agreed that subject to Shareholder approval being obtained at the AGM, the following Performance Rights will be issued to Mr Parker:

- (a) 'Tranche 1 Performance Rights': 14,538,462 Performance Rights vesting on 30 June 2017, expiring on 30 June 2022 and subject to a performance and service period condition as follows:
 - (i) 50% (7,269,231 Performance Rights) based on commencement of drilling of the first panel for the JinHong JV Demonstration Project on/before 30 June 2017
 - (ii) 50% (7,269,231 Performance Rights) based on remaining employed with the Company as at 30 June 2017;
- (b) 'Tranche 2 Performance Rights': 14,538,462 Performance Rights vesting on 30 June 2018, expiring on 30 June 2023 and subject to a performance and service period condition as follows:
 - (i) 50% (7,269,231 Performance Rights) based on successful ignition of the JinHong Joint Venture Demonstration Project, securing of an additional third party licence with significant upfront fees / joint venture arrangement and the commencement of development of a second demonstration / development project on/before 30 June 2018;
 - (ii) 50% (7,269,231 Performance Rights) based on remaining employed with the Company as at 30 June 2018;
- (c) 'Tranche 3 Performance Rights': 14,538,462 Performance Rights vesting on 30 June 2019, expiring on 30 June 2024 and subject to a performance and service period condition as follows:
 - (i) 50% (7,269,231 Performance Rights) based on securing an additional third party licence with significant upfront fees / joint venture arrangement and finalisation of the development of a second demonstration / development project on/before 30 June 2019;
 - (ii) 50% (7,269,231 Performance Rights) based on remaining employed with the Company as at 30 June 2019.

(together the CEO 'Performance Rights')

ASX Listing Rule 10.11

Listing Rule 10.11 requires an entity to obtain the approval of Shareholders to an issue of securities to a related party. Mr Parker is a related party of the Company. Accordingly, because an issue of the Performance Rights may result in the Company issuing securities to a related party, approval under Listing Rule 10.11 is required.

For the purposes of Listing Rule 10.13, the Company advises as follows:

- (a) the maximum number of Performance Rights to be issued to Mr Parker is 43,615,386 CEO Performance Rights as follows:
 - (i) 14,538,462 Tranche 1 Performance Rights;
 - (ii) 14,538,462 Tranche 2 Performance Rights; and
 - (iii) 14,538,462 Tranche 3 Performance Rights.
- (b) the CEO Performance Rights are being issued for nil consideration and otherwise on terms set out in this Explanatory Memorandum and Schedule 3;
- (c) no funds are being raised by the grant of the CEO Performance Rights;

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- (d) in the event the Company terminates Mr Parker's employment, other than for misconduct, a severance payment of all accrued CEO Performance Rights is payable by the Company to Mr Parker; and
- (e) if Resolution 5 receives Shareholder approval, the CEO Performance Rights are intended to be issued to Mr Parker as soon as possible following the Meeting, but in any event, within one month of the date of the Meeting.

In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolution 5.

Voting Restrictions

There are restrictions on voting on Resolution 5, by Mr Parker and his associates and Key Management Personnel and their Closely Related Parties. For additional details, please refer to the Voting Exclusion Statements in Resolution 5 of the Notice of Meeting.

Shareholders should be aware that any undirected proxies given to the chairperson will be cast by the chairperson and counted in favour of the resolutions the subject of this Meeting, including this Resolution 5 subject to compliance with the Corporations Act.

Board recommendation

The Directors (with Mr Parker abstaining) unanimously recommend Shareholders vote in favour of Resolution 5.

RESOLUTION 6 – ISSUE OF A MAXIMUM OF 250 MILLION SHARES

Resolution 6 seeks shareholder approval for the issue of up to 250 million Shares for the purposes of Listing Rule 7.1.

The Directors are of the view that the Company will require further funding over the next 12 months in order to progress its projects and provide working capital to the Company.

If Resolution 6 is approved by Shareholders, the Directors will have the flexibility and discretion to issue up to 250 million Shares within a 3 month period from the date of the Annual General Meeting, subject to a minimum price, without being restricted by the 15% limit imposed by Listing Rule 7.1 and without having to suffer delay or additional expense involved in convening another general meeting to obtain a Shareholder approval that would otherwise be required under Listing Rule 7.1.

The following information is provided in accordance with Listing Rule 7.3:

1. A maximum of 250 million shares will be issued.
2. The shares will be issued within 3 months of the date of the Annual General Meeting. Any Shares issued more than 3 months after the date of the Annual General Meeting will not be issued with Shareholder approval and will count towards the Company's 15% placement capacity pursuant to Listing Rule 7.1 or Additional 10% Placement capacity pursuant to Listing Rule 7.1A (unless the Company seeks further Shareholder approval to such an issue).
3. The issue price for the Shares will be determined by the Directors and will not be less than 80% of the volume-weighted average market Share price for the Company's Shares on the ASX, calculated over the last 5 days on which sales in the Company's Shares are recorded before the date on which the additional shares are issued.
4. The names of the persons to whom the Company will issue shares are not known at this time. The Shares will be issued to persons or entities identified by the Company and to which a disclosure document is not required to be provided by virtue of Part 6D.2 of the Corporations Act 2001. No related parties (within the meaning of the Corporations Act) will be issued Shares.
5. The Shares will be issued on the same terms as and rank equally with the existing issued Shares and application will be made for their quotation on ASX.
6. The purpose of the proposed issue is to provide funding to progress the Company's projects and to provide additional working capital.
7. The Company may issue the Shares, the subject of this resolution, progressively throughout the 3 month period following the AGM, based on when placements are secured.
8. A voting exclusion statement is included in the Notice of Meeting.

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Board recommendation

The Directors unanimously recommend that shareholders vote in favour of Resolution 6 as it allows the Company to retain flexibility to issue further securities as and when the Company's circumstances require it during the next 3 month period.

RESOLUTION 7 (ORDINARY) – APPOINTMENT OF AUDITOR

Deloitte Touche Tohmatsu (Deloitte) received consent from the Australian Securities & Investments Commission (ASIC) to resign from the office of auditor of the Company effective from 28 June 2016 and the Board appointed Grant Thornton Audit Pty Ltd (Grant Thornton) as auditor, pursuant to section 327C(1) of the Corporations Act. In accordance with section 327C(2), an auditor appointed under section 327C(1) holds office until the company's next annual general meeting. The ongoing appointment of the auditor must then be approved by shareholders under section 327B of the Corporations Act.

As required, the Company has received a written notice of nomination from a shareholder of the Company for Grant Thornton to be appointed as the Company's auditor. A copy of the notice is attached to this Notice of Annual General Meeting in Schedule 4.

Resolution 7 relates to the appointment of Grant Thornton as auditor of the Company.

Recommendation of Directors:

The Directors unanimously recommend Shareholders vote in favour of Resolution 7.

RESOLUTION 8 (ADVISORY) TO ADOPT THE REMUNERATION REPORT

Remuneration Report

The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding Advisory Resolution.

If there is a vote of 25% or more against the Remuneration Report at the 2016 AGM, and another vote of 25% or more at the 2017 AGM, then a resolution will be put to the 2017 AGM to put the Board (other than the Managing Director) up for re-election ('Spill Resolution'). If the Spill Resolution passes, then the Company must hold a Spill Meeting within 90 days at which all Directors (other than the Managing Director) who were Directors at the time the Remuneration Report that received the second strike will retire and may resubmit themselves for re-election.

The Remuneration Report is set out in the Directors' Report section of the Annual Report. The Remuneration Report, amongst other things:

- (a) explains the Board's policy for determining the nature and amount of remuneration of Key Management Personnel of the Company;
- (b) explains the relationship between the Board's remuneration policy and the Company's performance;
- (c) sets out remuneration details for each Key Management Personnel of the Company, including details of performance related remuneration and options granted as part of remuneration; and
- (d) details and explains any performance conditions applicable to the remuneration of Key Management Personnel of the Company.

The Report is available on pages 22 to 36 in the Company's Annual Report for the period ended 30 June 2016 and is available at www.carbonenergy.com.au within the Announcements and Reports section of the website.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting.

Voting restrictions on Key Management Personnel and their proxies and Closely Related Parties

A voting exclusion statement is set out under Resolution 8 in the Notice of Meeting.

Recommendation of Directors:

The Directors abstain, in the interests of corporate governance, from making a recommendation in relation to this resolution.

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SCHEDULE 1 - INTERPRETATION

ASX means the ASX Limited ABN 98 008 624 691.

Board means the board of directors of the Company.

Closely Related Party (as defined in the Corporations Act) of a member of the Key Management Personnel for an entity means:

- (a) a spouse or child of the member; or
- (b) a child of the member's spouse; or
- (c) a dependant of the member or the member's spouse; or
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- (e) a company the member controls; or
- (f) a person prescribed by the regulations for the purposes of this paragraph.

Company means Carbon Energy Limited ABN 56 057 552 137.

Convertible Note Facility means the \$10 million Convertible Note Facility Agreement between the Company and Pacific Road Capital Management Pty Ltd.

Corporations Act means the *Corporations Act 2001* (Cth) as amended from time to time.

Directors mean directors of the Company.

Eligible Entity has the meaning given to that term in the Listing Rules.

Equity Securities has the meaning given to that term in the Listing Rules.

Explanatory Memorandum means this explanatory memorandum accompanying, and forming part of, the Notice of Meeting.

Key Management Personnel has the definition given in the accounting standards as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of that entity.

Listing Rules means the official listing rules of the ASX as amended from time to time.

Market Price has the meaning given to that term in the Listing Rules.

Meeting or **Annual General Meeting** or **AGM** means the Annual General Meeting of Shareholders to be held at the HopgoodGanim Lawyers, Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Queensland on Thursday 15 December 2016 at 9.30am AEST.

Notice of Meeting means the notice of meeting convening the Meeting and the Explanatory Memorandum.

Incentive Plan or **Omnibus Incentive Plan** means an incentive plan for eligible participants who provide on-going services to the Company as set out in Schedule 3.

Option means an option to subscribe for a Share.

Ordinary Resolution means a resolution passed by more than 50% of the votes cast at a general meeting of shareholders.

Performance Right means a right to subscribe for a Share.

Resolution means a resolution to be proposed at the Meeting.

Shares means fully paid ordinary shares in the Company.

Shareholder means a holder of Shares in the Company.

Special Resolution means a resolution:

- (a) of which notice has been given as set out in paragraph 249L(1)(c) of the Corporations Act; and
- (b) that has been passed by at least 75% of the votes cast by members entitled to vote on the resolution.

Trading Day has the meaning given to that term in the Listing Rules.

EXPLANATORY MEMORANDUM

SCHEDULE 2 – EQUITY SECURITIES ISSUED IN LAST 12 MONTHS

| Date of Issue | Number Issued | Class/ Type of equity security | Summary of terms | Names of persons who received securities or basis on which those persons was determined | Price at which equity securities were issued | Discount to market price (if any) | <i>For cash issues:</i> | | | | <i>For non-cash issues:</i> | |
|---------------|---------------|--------------------------------|---|---|--|-----------------------------------|-----------------------------------|------------------------------------|---|--|---|--|
| | | | | | | | Total cash consideration received | Amount of cash consideration spent | Use of cash consideration | Intended use for remaining amount of cash (if any) | Non-cash consideration paid | Current value of that non-cash consideration |
| 11/03/2016 | 7,815,783 | Fully paid ordinary shares | Shares rank pari passu with all other fully paid ordinary shares on issue in the Company. | PRCM Nominees Pty Ltd (1,552,212 shares) and Pacific Road Holdings NV (6,263,571 shares) | \$0.0163 per share (deemed issue price) | 25% premium | Nil | N/A | N/A | N/A | In consideration of the interest costs, payable quarterly in arrears, in relation to the \$10M Pacific Road Convertible Note Facility | \$127,397 |
| 13/04/2016 | 121,034,433 | Fully paid ordinary shares | Shares rank pari passu with all other fully paid ordinary shares on issue in the Company. | Eligible shareholders as determined on the Record Date for the Rights Issue whose Entitlement and Acceptance Form was received together with payment for the entitlements accepted and additional shortfall shares applied for (if any) before the closing time on the closing date for the Rights Issue. | \$0.013 per share | Nil | \$1,682,757 | \$1,682,757 | For the purposes set out in the Rights Issue Information Booklet dated 11 March 2016. | N/A. | N/A | N/A |

EXPLANATORY MEMORANDUM

| Date of Issue | Number Issued | Class/ Type of equity security | Summary of terms | Names of persons who received securities or basis on which those persons was determined | Price at which equity securities were issued | Discount to market price (if any) | For cash issues: | | | | For non-cash issues: | |
|---------------|---------------|--------------------------------|---|---|--|-----------------------------------|-----------------------------------|------------------------------------|---|---|---|--|
| | | | | | | | Total cash consideration received | Amount of cash consideration spent | Use of cash consideration | Intended use for remaining amount of cash (if any) | Non-cash consideration paid | Current value of that non-cash consideration |
| 13/04/2016 | 146,869,964 | Fully paid ordinary shares | Shares rank pari passu with all other fully paid ordinary shares on issue in the Company. | Kam Lung Investment (sub-underwriter) | \$0.013 per share | Nil | \$1,800,000 | \$1,800,000 | For the purposes set out in the Rights Issue Information Booklet dated 11 March 2016. | N/A. | N/A | N/A |
| 01/06/2016 | 12,071,070 | Fully paid ordinary shares | Shares rank pari passu with all other fully paid ordinary shares on issue in the Company. | PRCM Nominees Pty Ltd (2,397,311 shares) and Pacific Road Holdings NV (9,673,759 shares) | \$0.0101 per share (deemed issue price) | 2% premium | Nil | N/A | N/A | N/A | In consideration of the interest costs, payable quarterly in arrears, in relation to the \$10M Pacific Road Convertible Note Facility | \$121,918 |
| 04/07/2016 | 30,769,232 | Fully paid ordinary shares | Shares rank pari passu with all other fully paid ordinary shares on issue in the Company. | Various. Rights Issue Shortfall | \$0.013 per share | Nil | \$400,000 | \$Nil | For general working capital. | For the purposes set out in the Rights Issue Information Booklet dated 11 March 2016. | N/A | N/A |
| 18/07/2016 | 928 | Fully paid ordinary shares | Shares rank pari passu with all other fully paid ordinary shares on issue in the Company. | Listed Options attached to each new share allocated in the Prospectus dated 13 November 2013. | \$0.05941 | Nil | \$55 | \$55 | General working capital | N/A | N/A | N/A |

EXPLANATORY MEMORANDUM

| Date of Issue | Number Issued | Class/ Type of equity security | Summary of terms | Names of persons who received securities or basis on which those persons was determined | Price at which equity securities were issued | Discount to market price (if any) | For cash issues: | | | | For non-cash issues: | |
|---------------|---------------|--------------------------------|---|---|--|-----------------------------------|-----------------------------------|------------------------------------|---------------------------|--|---|--|
| | | | | | | | Total cash consideration received | Amount of cash consideration spent | Use of cash consideration | Intended use for remaining amount of cash (if any) | Non-cash consideration paid | Current value of that non-cash consideration |
| 28/07/2016 | 4,017 | Fully paid ordinary shares | Shares rank pari passu with all other fully paid ordinary shares on issue in the Company. | Listed Options attached to each new share allocated in the Prospectus dated 13 November 2013. | \$0.05941 | Nil | \$239 | \$239 | General working capital | N/A | N/A | N/A |
| 30/08/2016 | 6,924,852 | Fully paid ordinary shares | Shares rank pari passu with all other fully paid ordinary shares on issue in the Company. | PRCM Nominees Pty Ltd (1,375,220 shares) and Pacific Road Holdings NV (5,549,362 shares) | \$0.0182 per share (deemed issue price) | 30% premium | Nil | N/A | N/A | N/A | In consideration of the interest costs, payable quarterly in arrears, in relation to the \$10M Pacific Road Convertible Note Facility | \$126,027 |

SCHEDULE 3 – OMNIBUS INCENTIVE PLAN

CARBON ENERGY LIMITED

OMNIBUS INCENTIVE PLAN

Approved by the Board of Directors on 9 June 2016

[Insert date of shareholder approval]

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CARBON ENERGY LIMITED

OMNIBUS INCENTIVE PLAN

Carbon Energy Limited (the “**Company**”) hereby establishes an Omnibus Incentive Plan for eligible participants providing ongoing services to the Company or any Group Company (as defined herein) that can have a significant impact on the Company’s long-term results.

The purpose of the Plan is to permit the Company to grant Awards to Participants, subject to certain conditions, for the following purposes:

- (a) to increase the interest in the Company’s welfare of those Participants, who share responsibility for the management, growth and protection of the business of the Company or a Group Company;
- (b) to provide an incentive to such Participants to continue their services for the Company or Group Company and to encourage such Participants whose skills, performance and loyalty to the objectives and interests of the Company or Group Company are necessary or essential to its success, image, reputation or activities;
- (c) to reward the Participants for their performance of services while working for the Company or Group Company; and
- (d) to provide a means through which the Company or Group Company may attract and retain able Persons to enter its employment.

ARTICLE 1 — DEFINITIONS

Section 1.1 *Definitions.*

The following terms shall have the following meanings, respectively, unless the context otherwise requires:

“**Act**” means the *Corporations Act 2001* (Cth);

“**Associate**” has the meaning given to this term in the Act;

“**Award**” means an Option, a Performance Right or Bonus Share granted to a Participant pursuant to the terms of the Plan;

“**Black-Out Period**” means a period of time when pursuant to any self-imposed policy of the Company, any securities of the Company may not be traded by certain Persons designated by the Company;

“**Board**” has the meaning ascribed to it in Section 2.1(1) hereof;

“**Bonus Share Agreement**” means a written letter agreement or Employment Agreement between the Company and a Participant evidencing the grant of Bonus Shares and the terms and conditions thereof;

“**Bonus Shares**” means the Shares issuable as bonus Shares pursuant to Section 5.1(1) hereof;

“Bonus Shares Issue Price” has the meaning ascribed to it in Section 5.1(2) hereof;

“Bonus Share Restricted Period” means, in respect of any Bonus Shares the period prior to the satisfaction of any Vesting Conditions specified by the Board at the time of issuance of the Bonus Shares;

“Bonus Share Restrictions” means, in respect of any Bonus Shares issued on a particular date, such restrictions and procedures the Board may determine are necessary to prevent a Participant from Dealing with a Bonus Share during the Bonus Share Restricted Period (including placing the Bonus Shares in a holding lock), as evidenced in the applicable Bonus Share Agreement;

“Business Day” means a day other than a Saturday, Sunday or statutory holiday, when banks are generally open for business in Queensland, Australia;

“Change in Control” means an event where a person or entity becomes:

- (a) the legal or beneficial owner of 50% or more of the issued capital of the Company; or
- (b) if a person or entity becomes entitled to, acquires, holds or has a relevant interest in 50% or more of the issued share capital of Company;

“Committee” has the meaning ascribed to it in Section 2.1(1) hereof;

“Company” means Carbon Energy Limited (ABN 56 057 552 137) of Level 9, 301 Coronation Drive, Milton Queensland;

“Deal” or **“Dealing”** in relation to an Award (as the case may be), any dealing including but not limited to:

- (a) a sale, transfer, mortgage, charge, assignment, encumbrance, option, swap, or any other alienation of all or any part of the rights attaching to the Award;
- (a) any attempt to do any of the actions identified in item (a) of this definition; or
- (b) any hedging (including any dealing with a derivative instrument intended to ‘lock in’ a profit relating to the Award) or other transactions in financial products that operate to limit the economic risks associated with holding the Award.

“Eligible Participants” has the meaning ascribed to it in Section 2.2(1) hereof;

“Employment Agreement” means, with respect to any Participant, any written employment agreement between the Company or a Group Company and such Participant;

“Exchange” means any such stock exchange or other organized markets on which the Shares are listed and posted for trading;

“Exercise Notice” means a notice in writing signed by a Participant and stating the Participant’s intention to exercise a particular Award, if applicable;

“Exercise Period” means the period, determined by the Board in its sole discretion, during which an Option or a Performance Right is exercisable, commencing on the date such Option or Performance Right is granted to the Participant and ending on the Expiry Date;

“Exercise Price” means:

- (a) in relation to a Performance Right, the amount payable on exercise of that Performance Right, as determined by the Board and specified in the Performance Right Agreement and adjusted in accordance with Article 7. If no determination is made, the applicable Exercise Price is nil; or
- (b) in relation to an Option, the amount payable on exercise of that Option, as specified in the Option Agreement and adjusted in accordance with Article 7.

“Expiry Date” means the date determined by the Board and specified in the Grant Agreement, but in no event on a date which is later than fifteen (15) years from the date the Option or Performance Right is granted;

“Grant Agreement” means an agreement evidencing the grant to a Participant of an Award, including an Option, a Performance Right and a Bonus Share, including an Option Agreement, Performance Right Agreement or Bonus Share Agreement;

“Group” means the Company and its “related bodies corporate” (as that term is defined in the Act), and a Group Company means any member of the Group;

“Market Value” means, at any date when the market value of Shares of the Company is to be determined, the volume weighted average trading price of the Shares for the last five Trading Days prior to such date on the principal Exchange on which the Shares are listed, or if the Shares of the Company are not listed on any Exchange, the value as is determined solely by the Board, acting reasonably and in good faith;

“Option” means an option granted by the Company to a Participant entitling such Participant to acquire a designated number of Shares at the Exercise Price, but subject to the provisions hereof;

“Option Agreement” means a written letter agreement or Employment Agreement between the Company and a Participant evidencing the grant of Options and the terms and conditions thereof;

“Participants” means Eligible Participants that are granted Awards under the Plan;

“Performance Right” has the meaning ascribed to it in Section 4.1 hereof;

“Performance Right Agreement” means a written letter agreement or Employment Agreement between the Company and a Participant evidencing the grant of Performance Rights and the terms and conditions thereof;

“Permitted Nominee” means:

- (a) an immediate family member of the Participant;
- (b) a company whose members comprise no Persons other than the Participant or immediate family members of the Participant;
- (c) a trustee of a self-managed superannuation fund (within the meaning of the *Superannuation Industry (Supervision) Act 1993* (Cth), where the Participant is a director of the trustee,

“**Person**” means an individual, corporation, company, cooperative, partnership, trust, unincorporated association, entity with juridical personality or governmental authority or body, and pronouns which refer to a Person shall have a similarly extended meaning;

“**Plan**” means this Omnibus Incentive Plan, including any amendments or supplements hereto made after the date hereof;

“**Shares**” means the ordinary shares in the share capital of the Company;

“**Share Trading Policy**” means the Company’s trading policy, as may be amended from time to time, with respect to Shares;

“**Successor Company**” means a company acquiring the Company or resulting from a consolidation, merger or amalgamation with the Company;

“**Termination Date**” means:

- (a) in the event of a Participant’s resignation, the date on which such Participant ceases to be a director, officer, employee or contractor of the Company or a Group Company; or
- (b) in the event of the termination of the Participant’s employment or services by the Company or a Group Company, the effective date of the termination as specified in the notice of termination provided to the Participant by the Company or the Group Company, as the case may be;

“**Trading Day**” means any day on which the principal stock exchange on which the Shares are listed is opened for trading;

“**Vest**” or “**Vested**” means the process by which the holder of an Award becomes entitled to:

- (a) in the case of an Option, exercise the Option in accordance with Section 3.5;
- (b) in the case of Performance Rights, exercise the Performance Right in accordance with Section 4.5;
- (c) in the case of Bonus Shares, Deal with the Shares in accordance with Section 5.3,

following the satisfaction or waiver of all Vesting Conditions that apply to the relevant Award;

“**Vesting Conditions**” means conditions established on a case by case basis by the Board which, without limitation, may include conditions based on the Participant’s personal performance, periods of service and/or the financial/operational performance of the Company and/or of its Group Companies, that must be satisfied or waived by the Board or circumstances which must exist before the Awards will Vest; and

“**Vesting Determination Date**” means the date established by the Board to determine if the Vesting Conditions have been met as of that date, and as a result, establish the number of Awards that are to Vest, if any; and

“**Voting Power**” has the meaning given to it in section 610 of the Act.

ARTICLE 2 —ADMINISTRATION OF THE PLAN

Section 2.1 *Implementation and Administration of the Plan.*

- (1) The Plan shall be administered and interpreted by the Board of Directors of the Company (the “**Board**”) or, if the Board by resolution so decides, by a committee appointed by the Board (the “**Committee**”) as constituted from time to time. If a Committee is appointed for this purpose, all references to the term “Board” will be deemed to be references to the Committee as applicable.
- (2) The Board may, from time to time, as it may deem expedient, adopt, amend and rescind rules and regulations for carrying out the provisions and purposes of the Plan, subject to any applicable rules of the Exchange and the provisions of the Plan.
- (3) Subject to the provisions of the Plan, the Board is authorized, in its sole discretion, to make such determinations under and such interpretations of, and take such steps and actions in connection with, the proper administration of the Plan as it may deem necessary or advisable. The interpretation, construction and application of the Plan by the Board shall be final and binding on all Participants.
- (4) No member of the Board or of the Committee shall be liable for any action or determination taken or made in good faith in the administration, interpretation, construction or application of the Plan or any Award granted hereunder.
- (5) Any determination approved by a majority of the Board shall be deemed to be a determination of that matter by the Board.

Section 2.2 *Participants.*

- (1) The Persons who shall be eligible to receive Awards (“**Eligible Participants**”) shall be the directors, officers and other employees of the Company or a Group Company and contractors providing ongoing services to the Company or any Group Company, who the Board may determine from time to time is to participate under the Plan. Casual employees and contractors must work a pro-rata equivalent of at least 40% of a comparable full-time position to be considered an Eligible Participant.
- (2) An Eligible Participant may nominate a Permitted Nominee to whom the Eligible Participant wishes to be granted some or all of the Awards. The Board may, in its absolute discretion, determine not to allow the grant of the Awards to the Nominee, without being required to give any reason for such decision.
- (3) As from any relevant Termination Date, a Person will cease to be eligible to receive Awards under the Plan.
- (4) Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect an Eligible Participant’s relationship or employment with the Company.
- (5) Notwithstanding any express or implied term of this Plan to the contrary, the granting of an Award pursuant to the Plan shall in no way be construed as a guarantee of employment or retainer by the Company to the Participant.

Section 2.3 *Shares Subject to the Plan.*

- (1) If an Award is proposed to be made in reliance on ASIC Class Order 14/1000, the Company must not make any offer if, at the time of the proposed offer, the sum of the number of Shares:
 - (a) to be issued, the subject of the proposed offer;
 - (b) that may be issued on exercise of Performance Rights or Options the subject of the proposed offer; and
 - (c) issued or which may be issued as a result of offers made at any time during the previous 3 year period under an employee incentive scheme:
 - (i) covered by ASIC Class Order 14/1000;
 - (ii) previously covered by ASIC Class Order 03/184; or
 - (iii) covered or previously covered by an ASIC instrument granting specific relief similar to ASIC Class Order 03/184,

exceeds 5% of the total number of issued Shares.
- (2) Any Award made:
 - (a) to a Person situated at the time of receipt of the offer outside Australia;
 - (b) that did not require disclosure to the Participant because of an exemption to disclosure contained in Chapter 6D of the Act; or
 - (c) under a disclosure document,

is disregarded for the purpose of calculating the limit in Section 2.3(1).
- (3) The aggregate number of Awards that may be issued under the Plan to an Eligible Participant must not result in that Eligible Participant, together with their Associates, holding or gaining the ability to control more than 10% of the Voting Power in the Company

Section 2.4 *Granting of Awards.*

- (1) Any Award granted under the Plan shall be subject to the requirement that, if at any time counsel to the Company determines the consent or approval of shareholders, any Exchange or any governmental or regulatory body is necessary as a condition of any grant or exercise of an Award, such Award may not be accepted or exercised unless such consent or approval has been obtained on conditions acceptable to the Board.
- (2) Any Shares issued under the Plan will rank equally in all respects with other Shares for the time being on issue by the Company except as regards any rights attaching to such Shares by reference to a record date prior to the date of their issue.
- (3) If Shares of the same class as those issued on the Vesting or exercise of an Award are quoted on an Exchange, the Company will apply for quotation of Shares issued under the Plan within the period required by the Exchange.

- (4) Any Award granted under the Plan shall be subject to the requirement that the Company has the right to place any restriction or legend on any securities issued pursuant to this Plan, including as may be required by applicable law.
- (5) The granting of Performance Rights and Options under the Plan are tax deferred rights under 83A-C of the Income Tax Assessment Act 1997 and must not be sold or transferred to another party other than in accordance with the terms of the Plan.

ARTICLE 3 — OPTIONS

Section 3.1 *Nature of Options.*

An Option is an option granted by the Company to a Participant entitling such Participant to acquire a designated number of Shares at the Exercise Price, subject to the terms contained within the Plan.

Section 3.2 *Option Awards.*

The Board may, from time to time by resolution, in its sole discretion:

- (a) designate the Participants who may receive Options under the Plan;
- (a) fix the number of Options, if any, to be granted to each Participant and the date or dates on which such Options shall be granted; and
- (b) determine the Exercise Price per Share (if any) to be payable upon the exercise of each Option;
- (c) determine any Vesting Conditions and the Vesting Determination Date; and
- (d) determine the Exercise Period during which the Options may be exercised,

subject to the terms and conditions prescribed in this Plan, in any Option Agreement, the Company's Constitution, the rules of any Exchange and any shareholder or regulatory approvals.

Section 3.3 *Exercise Price.*

The Exercise Price for Shares the subject of any Option shall be determined by the Board when such Option is granted.

Section 3.4 *Exercise Period.*

- (1) The Board shall determine the Exercise Period at the time of granting the particular Option.
- (2) The Options will lapse, unless they have lapsed earlier in accordance with this Plan, on the date of expiry of the Exercise Period.

Section 3.5 *Exercise of Options.*

- (1) Subject to the provisions of this Plan and the achievement of any relevant Vesting Conditions, a Participant shall be entitled to exercise an Option granted to such Participant at any time during the Exercise Period.

- (2) No Option may be exercised by a Participant during a Black-Out Period, other than in accordance with the Company's Share Trading Policy.

Section 3.6 *Method of Exercise and Payment of Exercise Price.*

- (1) Subject to the provisions of the Plan, an Option granted under the Plan shall be exercisable (from time to time as provided in Section 3.5 hereof) by the Participant by:
- (a) delivering a fully completed Exercise Notice to the Company at its registered office to the attention of the Corporate Secretary of the Company or such other individual the Board may from time to time designate; or
 - (b) giving notice in such other manner as the Company may from time to time designate,

which notice must specify the number of Shares in respect of which the Options are being exercised and, if applicable, must be accompanied by full payment by cash, cheque or bank draft of the Exercise Price for the number of Options to be exercised. Unless otherwise determined by the Board, the Company shall not offer financial assistance in regards to the exercise of an Option.

- (2) The Board may decide in its absolute discretion that a Participant will not be required to provide payment for the Exercise Price of Options by cheque or bank draft or otherwise in immediately available funds, but that on exercise of the Options, the Participant may elect that the Company instead allot and issue the number of Shares (disregarding fractions) which, when multiplied by the Market Value of the Shares to which the exercised Options relate, have a value equal to the product of the number of Shares to which the exercised Options relate multiplied by the difference between the Market Value of such Shares and the Exercise Price of such Options.

Section 3.7 *Option Vesting Conditions.*

Subject to the Board's determination, any Vested Options may be exercised in accordance with Section 3.6. Unless otherwise determined by the Board, all Options which have not Vested as at the Vesting Determination Date will lapse.

Section 3.8 *Issuance of Shares*

Subject to these Rules, upon exercise of the Option the Company shall as soon as practicable transfer (or procure the transfer) or issue the number of Shares specified in the Exercise Notice to the Participant.

Section 3.9 *Option Agreements.*

Options shall be evidenced by an Option Agreement, in such form not inconsistent with the Plan as the Board may from time to time determine.

ARTICLE 4 – PERFORMANCE RIGHTS

Section 4.1 *Nature of Performance Rights.*

A performance right (“**Performance Right**”) is an Award entitling the recipient to acquire Shares, subject to the terms contained within the Plan.

Section 4.2 *Performance Right Awards.*

- (1) The Board may, from time to time by resolution, in its sole discretion:
 - (a) designate the Participants who may receive Performance Rights under the Plan;
 - (b) fix the number of Performance Rights, if any, to be granted to each Participant and the date or dates on which such Performance Rights shall be granted; and
 - (c) determine the Exercise Price per Share (if any) to be payable upon the exercise of each Performance Right;
 - (d) determine any Vesting Conditions and the Vesting Determination Date; and
 - (e) determine the Exercise Period during which the Performance Rights may be exercised,subject to the terms and conditions prescribed in this Plan, in any Performance Right Agreement, the Company’s Constitution, the rules of any Exchange and any shareholder or regulatory approvals.

Section 4.3 *Exercise Price.*

Any Exercise Price for Shares the subject of any Performance Right shall be determined by the Board when such Performance Right is granted.

Section 4.4 *Exercise Period.*

- (1) The Board shall determine the Exercise Period at the time of granting the Performance Right.
- (2) The Performance Rights will lapse, unless they have lapsed earlier in accordance with this Plan, on the date of expiry of the Exercise Period.

Section 4.5 *Exercise of Performance Rights.*

- (1) Subject to the provisions of this Plan and the achievement of any relevant Vesting Conditions, a Participant shall be entitled to exercise Performance Right granted to such Participant at any time during the Exercise Period.
- (2) No Performance Right may be exercised by a Participant during a Black-Out Period, other than in accordance with the Company’s Share Trading Policy.

Section 4.6 *Method of Exercise.*

- (1) Subject to the provisions of the Plan, Performance Right granted under the Plan shall be exercisable (from time to time as provided in Section 4.5 hereof) by the Participant by:

(f) delivering a fully completed Exercise Notice to the Company at its registered office to the attention of the Corporate Secretary of the Company or such other individual the Board may from time to time designate; or

(g) giving notice in such other manner as the Company may from time to time designate,

which notice must specify the number of Shares in respect of which the Performance Rights are being exercised and, if applicable, must be accompanied by full payment by cash, cheque or bank draft of the Exercise Price for the number of Performance Rights to be exercised. Unless otherwise determined by the Board, the Company shall not offer financial assistance in regards to the exercise of a Performance Right.

(2) The Board may decide in its absolute discretion that a Participant will not be required to provide payment for the Exercise Price of Performance Rights by cheque or bank draft or otherwise in immediately available funds, but that on exercise of the Performance Rights, the Participant may elect that the Company instead allot and issue the number of Shares (disregarding fractions) which, when multiplied by the Market Value of the Shares to which the exercised Performance Rights relate, have a value equal to the product of the number of Shares to which the exercised Performance Rights relate multiplied by the difference between the Market Value of such Shares and the Exercise Price of such Performance Rights.

Section 4.7 *Performance Right Vesting Conditions.*

Subject to the Board's determination, any Vested Performance Rights may be exercised in accordance with Section 4.6. Unless otherwise determined by the Board, all Performance Rights which have not Vested as at the Vesting Determination Date will lapse.

Section 4.8 *Issuance of Shares.*

Subject to these Rules, upon exercise of the Performance Right the Company shall as soon as practicable transfer (or procure the transfer) or issue the number of Shares specified in the Exercise Notice to the Participant.

Section 4.9 *Performance Right Agreements.*

Performance Rights shall be evidenced by a Performance Right Agreement, in such form not inconsistent with the Plan as the Board may from time to time determine.

ARTICLE 5 — BONUS SHARES

Section 5.1 *Issuance of Bonus Shares.*

(1) Subject to the provisions of this Plan, the Company may issue for no cash consideration to any Participant any number of Shares as a discretionary bonus ("**Bonus Shares**"), or grant entitlements to be issued such Bonus Shares, at such times in such amounts and on such terms and Vesting Conditions as the Board may determine and impose.

(2) The issue price per Share for any Bonus Share ("**Bonus Share Issue Price**") issued under this Plan shall be determined by the Board at the time the Bonus Shares are issued, but such issue price shall not be less than the Market Value.

Section 5.2 *Bonus Share Awards.*

- (1) The Board may, from time to time by resolution, in its sole discretion:
 - (a) designate the Participants who may receive Bonus Shares under the Plan;
 - (b) fix the number of Bonus Shares, if any, to be granted to each Participant and the date or dates on which such Bonus Shares shall be granted; and
 - (h) determine any Vesting Conditions and the Vesting Determination Date,subject to the terms and conditions prescribed in this Plan, in any Bonus Share Agreement, the Company's Constitution, the rules of any Exchange and any shareholder or regulatory approvals.

Section 5.3 *Bonus Share Transfer Restrictions.*

- (1) The Company shall, as soon as practicable after the grant of the Bonus Shares, transfer (or procure the transfer) or issue to the Participant the number of Bonus Shares the Participant is entitled to receive;
- (2) The Company may implement any Bonus Share Restrictions it considers appropriate to restrict the Participant from Dealing with the Shares during the Bonus Share Restricted Period.
- (3) The Company may do all things necessary or desirable to protect or give effect to any right or restriction under this Plan, but without abrogating any other rights of the holder of the Bonus Shares.
- (4) Unless the Board shall otherwise determine, certificated Bonus Shares shall remain in the possession of the Company until such Bonus Shares have Vested as provided in Bonus Share Agreement, and the Participant shall be required, as a condition of the grant of such Bonus Shares, to deliver to the Company such instruments of transfer as the Board may prescribe.
- (5) Subject to these Rules, if the Bonus Shares are subject to any Bonus Share Restrictions, as soon as practicable after the Bonus Shares have Vested the Company shall remove any Bonus Share Restrictions.

Section 5.4 *Bonus Share Agreements.*

Bonus Shares shall be evidenced by a Bonus Share Agreement, in such form not inconsistent with the Plan, as the Board may from time to time determine. The Bonus Share Agreement shall be subject to the terms and conditions prescribed in this Plan, in any Performance Right Agreement, the Company's Constitution, the rules of any Exchange and any shareholder or regulatory approvals.

Section 5.5 *Rights as Shareholder.*

Upon execution of a Bonus Share Agreement and the issuance of the Bonus Shares, the Participant to whom Bonus Shares have been awarded shall have all the rights of a shareholder of the Company, including with respect to voting of the Bonus Shares, subject to the conditions contained in the Bonus Share Agreement.

Section 5.6 *Forfeiture if Cease to be a Eligible Participant*

- (1) Subject to the Board determining otherwise or as set forth in any Bonus Share Agreement, upon:
 - (a) a Participant ceasing to be an Eligible Participant for any reason; or
 - (b) the Bonus Shares not Vesting as at the Vesting Determination Date,any Bonus Shares that remain subject to a Bonus Share Restricted Period shall be forfeited.
- (2) Upon such forfeiture, the Participant will automatically and without any requirement of notice to or from such Participant, or other action by or on behalf of the Participant or Company, be deemed to have agreed to dispose of his or her legal and beneficial interest in the Bonus Shares at an aggregate price equal to one dollar (\$1.00), and thereafter the Bonus Shares shall cease to represent any ownership in the Company by the Participant or rights of the Participant as a shareholder of the Company.
- (3) Following such deemed agreement, the Bonus Shares will be transferred to the Company's nominee and the Participant shall surrender any certificates representing Bonus Shares which may be in the Participant's possession to the Company or its nominee upon request without consideration.
- (4) In consideration of the issue of the Bonus Shares, each Participant will irrevocably appoint the Company as its attorney and agent to so transfer his or her Bonus Shares to the Company's nominee, and any director or officer of the Company is authorised by the Participant to complete and execute any documents, including share transfers, and to do all acts or things in the Participant's name and on his or her behalf that may be necessary or convenient to give effect to such transfer.

ARTICLE 6 GENERAL CONDITIONS

Section 6.1 *General Conditions applicable to Awards.*

Each Award, as applicable, shall be subject to the following conditions:

- (1) **Employment** - The granting of an Award to an Eligible Participant shall not impose upon the Company or a Group Company any obligation to retain the Participant in its employ in any capacity. For greater certainty, the granting of Awards to an Eligible Participant shall not impose any obligation on the Company to grant any Awards in the future nor shall it entitle the Participant to receive future grants.
- (2) **Rights as a Shareholder** - Subject to Section 5.5, the Participant shall not have any rights as shareholder in respect of any Shares covered by such Participant's Awards until the date of issuance of a share certificate or other evidence of ownership to such Participant. Without limiting the generality of the foregoing, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such share certificate is issued.
- (3) **Conformity to Plan** – In the event that an Award is granted or a Grant Agreement is executed which does not conform in all particulars with the provisions of the Plan, or purports to grant Awards on terms different from those set out in the Plan, the Award or the grant of such Award

shall not be in any way void or invalidated, but the Award so granted shall be adjusted in such manner as the Board determines necessary to become, in all respects, in conformity with the Plan.

- (4) **Transferrable Awards** – Options, Performance Rights and Bonus Shares subject to Bonus Share Restrictions granted under this Plan shall, subject to approval of the Board in its sole discretion, be transferrable or assignable only to a Permitted Nominee and shall be exercisable only by the Participant or his or her Permitted Nominee.
- (5) **Permitted Nominee bound by Plan** - If Options, Performance Rights or Bonus Shares subject to Bonus Share Restrictions are issued to a Permitted Nominee, the Participant must also procure and ensure that the Permitted Nominee complies with this Plan as if the Permitted Nominee were the Participant.
- (6) **Dealing with Awards** - Other than in accordance with this Plan, a Participant may not Deal with Awards granted to the Participant. The Awards will lapse immediately on any purported Dealing, unless the Board in its absolute discretion approves the Dealing or the transfer or transmission is effected by force of law on death or legal incapacity to the Participant's legal personal representative

Section 6.2 *Cessation of Eligible Participation.*

- (1) Unless the Board determines otherwise pursuant to Section 6.2(2) and subject to Section 5.6, where a Participant ceases to be an Eligible Participant:
 - (a) by reason of resignation, termination for poor performance or termination for cause, all Awards held by the Participant, or on the Participant's behalf, which have not Vested will lapse or be forfeited (as the case may be) as at the Termination Date; or
 - (b) for any other reason, including (but not limited to):
 - (i) death;
 - (ii) total and permanent disablement;
 - (iii) retirement; or
 - (iv) termination by agreement,

in each case all the Participant's Awards will continue to be held by, or on behalf of, the Participant (or his or her estate as representative) subject to this Plan and the relevant Grant Agreement.
- (2) The Board, in its discretion, may determine within 4 months of a Participant ceasing to be an Eligible Participant that some or all of a Participant's Awards:
 - (a) lapse or are forfeited, as the case may be;
 - (b) Vest, subject to any restrictions imposed by the Board;
 - (c) are only exercisable for a prescribed period and will otherwise lapse; and/or

- (d) are no longer subject to some of the restrictions (including any Vesting Condition) that previously applied, as a result of the Participant ceasing to be an Eligible Participant.

Section 6.3 *Approved Leave of Absence.*

Subject to applicable laws, at the discretion of the Board, a Participant who is granted an approved leave of absence and who exercises their right to return to work under any applicable award, enterprise agreement, other agreement, statute or regulation may be treated as not having ceased to be an employee for the purposes of this Plan. Whether a Participant who is granted leave without pay is deemed to have ceased employment will be determined with reference to the Group's policies and any applicable laws.

Section 6.4 *Change of Control or redundancy.*

- (1) Notwithstanding anything contained to the contrary in the Plan or in a Grant Agreement contemplated herein, in the event of a Change in Control or ceasing to be an Eligible participant for the reason of redundancy:
 - (a) all of a Participant's Awards Vest;
 - (b) Awards are no longer subject to any of the restrictions on Dealings that applied upon grant; and
 - (c) Options or Performance Rights may be exercised by the Participant at any time during the Exercise Period.
- (2) In the event of a Change of Control, the Participant agrees, that the Participant may upon Vesting or exercise of the Awards, be provided with shares of the Successor Company or its parent in lieu of Shares, on substantially the same terms and subject to substantially the same conditions as the Shares, but with appropriate adjustments to the number and kind of shares subject to the Awards.

ARTICLE 7 — ADJUSTMENTS AND AMENDMENTS

Section 7.1 *Adjustment to Shares Subject to Outstanding Awards.*

- (1) A Participant is only entitled to participate (in respect of a Performance Right or an Option granted under the Plan) in a new issue of Shares to existing shareholders generally if the Participant has validly exercised his or her Performance Rights or Options within the relevant Exercise Period and become a shareholder of the Company prior to the relevant record date, and is then only entitled to participate in relation to Shares of which the Participant is the registered holder
- (2) If there is a pro rata issue of Shares for no consideration to the holders of Shares (other than in lieu or in satisfaction of dividends or by way of dividend reinvestment), the number of Shares over which a Performance Right or an Option is exercisable will be increased by the number of Shares which the holder of the Performance Right or Option would have received if the Performance Right or Option had been exercised before the record date for the pro rata issue.
- (3) If Shares are offered pro rata for subscription by the Company's shareholders generally by way of a rights issue and prior to the Vesting or exercise of any Awards (as applicable), the Board may, in its discretion, adjust the number of Awards granted to a Participant, the number of Shares to

which each Participant is entitled upon exercise or Vesting of the Awards, or the Exercise Price to take account of the rights issue.

- (4) In the event that, prior to the exercise of a Performance Right or an Option, there is a reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, then the rights of the Participant including the number of Performance Rights or Options that each Participant is entitled and/or the Exercise Price (if any), will be reconstructed as determined by the Board in its sole discretion.
- (5) The provisions of this Section 7.1 are subject to the Act and the listing rules and requirements of the Exchange as they apply to the Company and the Awards from time to time.

Section 7.2 *Amendment or Discontinuance of the Plan.*

- (1) The Board may amend the Plan or any Award at any time without the consent of the Participants provided that such amendment shall:
 - (d) not adversely alter or impair any Award previously granted except as permitted by the provisions of this Article 7;
 - (e) be subject to any regulatory approvals including, where required, the approval of the Exchange; and
 - (f) be subject to shareholder approval, where required, by law or the requirements of the Exchange, provided that shareholder approval shall not be required for the following amendments and the Board may make any changes which may include but are not limited to:
 - (i) amendments of a “housekeeping” nature or ministerial nature, including without limitation, any amendment for the purpose of curing any ambiguity, error or omission in this Plan or to correct or supplement any provision of this Plan that is inconsistent with any other provision of this Plan;
 - (ii) a change to the Vesting provisions of any Award, including a determination that the some or all of the Awards have Vested;
 - (iii) a change to the Eligible Participants of the Plan;
 - (iv) for the purpose of enabling the Participants generally (but not necessarily each Participant) to receive a more favourable taxation treatment in respect of their participation in the Plan;
 - (v) to enable the Plan or any Group Company to comply with the Act, the listing rules and requirements of the Exchange or its Constitution; or
 - (vi) any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law (including, without limitation, the rules, regulations and policies of the Exchange).

- (2) The Board may, subject to regulatory approval, discontinue the Plan at any time without the consent of the Participants provided that such discontinuance shall not materially and adversely affect any Awards previously granted to a Participant under the Plan.

ARTICLE 8 - MISCELLANEOUS

Section 8.1 *Use of an Administrative Agent and Trustee.*

The Board may in its sole discretion appoint from time to time one or more entities to act as administrative agent to administer the Awards granted under the Plan and to act as trustee to hold and administer the assets that may be held in respect of Awards granted under the Plan, the whole in accordance with the terms and conditions determined by the Board in its sole discretion. The Company and the administrative agent will maintain records showing the number of Awards granted to each Participant under the Plan.

Section 8.2 *Tax Withholding.*

- (1) If the Company or the Group is obliged, or reasonably believes it may have an obligation, as a result of or in connection with any Awards granted or Shares allocated under this Plan, to account for:

- (a) income tax or employment taxes under any wage, withholding or other arrangements; or
- (a) any other tax, stamp duties, social security contributions or levy or charge of a similar nature,

then the relevant Group Company is entitled to be reimbursed by the Participant for the amount or amounts so paid or payable.

- (2) Where Section 8.2(1) applies, the relevant Group Company may make arrangements for payment or reimbursement of the amounts referred to in Section 8.2(1). Those arrangements may include, without limitation:

- (a) the provision by the Participant of sufficient funds to reimburse the Group Company for the amount (by salary deduction, reduction of any amount owed by the Group to the Participant or otherwise);
- (b) the sale on behalf of the Participant of Shares allocated pursuant to this Plan for payment or reimbursement of these amounts, as well as the costs of any such sale;
- (c) the Vesting of Awards and the exercise of Options or Performance Rights (even if the applicable Vesting Conditions have not been satisfied) and the sale of the resulting Shares for payment and reimbursement of these amounts, as well as the Exercise Price and any other costs of any such exercise and sale; or
- (d) a reduction in any amount payable to the Participant in lieu of an allocation of Shares under this Plan.

Section 8.3 *Reorganisation of the Company.*

The existence of any Awards shall not affect in any way the right or power of the Company or its shareholders to:

- (a) make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, or any amalgamation, combination, merger or consolidation involving the Company;
- (b) create or issue any bonds, debentures, Shares or other securities of the Company or the rights and conditions attaching to them; or
- (c) affect the dissolution or liquidation of the Company or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

Section 8.4 *Governing Laws.*

The Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the State of Queensland.

Section 8.5 *Data Protection.*

By participating in the Plan, the Participant consents to the holding and processing of personal data provided by the Participant to the Company for all purposes relating to the operation of the Plan.

Section 8.6 *Non-Australian Residents.*

The Board may adopt additional rules of the Plan that will apply to a grant of an incentive award that is made to an Eligible Participant who is a resident in a jurisdiction other than Australia, subject to whatever alterations or additions the Board may determine having regard to any securities, exchange control, taxation or other laws and regulations or any other matter that the Board considers directly or indirectly relevant.

Section 8.7 *Severability.*

The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision and any invalid or unenforceable provision shall be severed from the Plan.

Section 8.8 *Commencement, Suspension or Cancellation of the Plan.*

- (1) The Plan was approved by the Board and shall take effect on 9 June 2016, subject to any necessary acceptance of the Plan by the shareholders of the Company, the Exchange and any other applicable regulatory authorities.
- (2) The Board may from time to time suspend the operation of the Plan and may at any time cancel the Plan. The suspension or cancellation of the Plan must not prejudice the existing rights (if any) of Participants.

SCHEDULE 4 – LETTER NOMINATING APPOINTMENT OF GRANT THORNTON

13 October 2016

The Directors
Carbon Energy Limited
9/301 Coronation Drive
Milton, QLD, 4066

Dear Directors

Re: Notice of Nomination of Auditor in accordance with section 328B of the Corporations Act 2001 (Cth)

The undersigned, being a shareholder of Carbon Energy Limited ("the Company"), hereby gives written notice pursuant to Section 328B(1) of the Corporations Act 2001(Cth) of the nomination of Grant Thornton Audit Pty Ltd for appointment as auditor of the Company at the forthcoming Annual General Meeting.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Cliff Mallett', with a stylized flourish at the end.

Dr Cliff Mallett
Shareholder

PROXIES AND REPRESENTATIVES

Shareholders are entitled to appoint a proxy to attend and vote on their behalf. Where a shareholder is entitled to cast two or more votes at the Meeting, they may appoint two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion or number of votes the shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. The proxy may, but need not, be a shareholder of the Company.

Shareholders who are a body corporate are able to appoint representatives to attend and vote at the Meeting under Section 250D of the Corporations Act 2001 (Cth).

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the Corporations Act.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be **deposited at, posted to, or sent by facsimile transmission to the Share Registry at the address listed below** not less than 48 hours before the time for holding the Meeting, or adjourned Meeting as the case may be, at which the individual named in the proxy form proposes to vote.

LINK MARKET SERVICES LIMITED
LEVEL 15, 324 QUEEN STREET, BRISBANE, QLD, AUSTRALIA, 4000
Tel: 1300 554 474

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

A proxy form is attached to this Notice.

VOTING ENTITLEMENT

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7:00pm on 13 December 2016. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

SIGNING INSTRUCTIONS

You must sign the proxy form as follows in the spaces provided:

Individual: Where the holding is in one name, the holder must sign.

Joint Holding: Where the holding is in more than one name, any security holder may sign.

Power of Attorney: To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone.

Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary.

Please indicate the office held by signing in the appropriate place



carbonenergy

ABN 56 057 552 137

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
Carbon Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

ALL ENQUIRIES TO
Telephone: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of Carbon Energy Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box) OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at 9:30am on Thursday, 15 December 2016 at HopgoodGanim Lawyers, Level 7, Waterfront Place, 1 Eagle Street, Brisbane (the Meeting) and at any postponement or adjournment of the Meeting.

Important for Resolution 8: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 8, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an X

Resolutions

Table with 8 rows of resolutions and 3 columns for For, Against, and Abstain*.

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual) Joint Shareholder 2 (Individual) Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary Director/Company Secretary (Delete one) Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

CNX PRX1601C



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **9:30am (Brisbane time) on Tuesday, 13 December 2016**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

Carbon Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**