

23 November 2016

Shareholder Communication No. 1

Tim Michael and Will Colwell were appointed Voluntary Administrators of Carbon Energy Limited (ASX:CNX) (“the Company”) and Carbon Energy (Holdings) Pty Ltd and Carbon Energy (Operations) Pty Ltd (together ‘the Group’) on 22 November 2016. An ASX announcement was made on 22 November 2016 by the Group – refer to link <http://www.carbonenergy.com.au/irm/PDF/2495/AppointmentofVoluntaryAdministrators>

You may be aware of the ASX announcement on 25 October 2016 regarding the refinancing of a \$10m convertible note facility and recapitalisation through an underwritten capital raising rights issue of \$5m. However, in the course of dealings between the parties to give effect to the proposed transactions, certain unforeseen issues arose that were not able to be resolved by the parties in sufficient time. The transactions contemplated by the parties were unable to be finalised.

The Administrators are undertaking an assessment of the affairs of the Group while trading continues as normal. The Administrators are working with senior management and key stakeholders to explore all possible options to secure the Group’s future.

Subject to ASIC relief being granted the date for holding the Annual General Meeting (currently convened for 15 December 2016) will be extended to a date to be confirmed. Once known, shareholders will be advised accordingly.

We will update shareholders by posting updates on our website <https://www.ferrierhodgson.com/au/creditors>