



carbonenergy

Carbon Energy Limited | ABN 56 057 552 137

ASX Announcement

24 September 2014

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Carbon Energy Limited

ABN 56 057 552 137

Carbon Energy (Operations) Pty Ltd

ABN 61 105 176 967

Shareholder Update - Exercise of CNXO Listed Options

Carbon Energy (ASX:CNX, OTCQX:CNXAY) wishes to inform holders of CNXO securities (\$0.06 listed options expiring 31 July 2016) that the attached *CNXO Options Exercise Form* is now available on the Carbon Energy website at www.carbonenergy.com.au.

The process for exercising the CNXO listed options is set out in the *CNXO Options Exercise Form*. Any queries regarding lodgement or payment may be directed to the Company's Share Registry, whose details are as follows:

Link Market Services Limited

Telephone: 1800 554 474

Email: registrars@linkmarketservices.com.au

Website: <http://www.linkmarketservices.com.au>

ENDS

For and on behalf of the Board

Tracy Bragg

General Counsel & Company Secretary

About Carbon Energy

Carbon Energy (ASX: CNX) (OTCQX: CNXAY) is building a Queensland gas business.

The Company is committed to providing Australian industrial gas users with an affordable and secure source of high quality gas, as gas prices continue to rise with increased overseas demand.

Carbon Energy is developing a new Queensland-based energy portfolio. Subject to government approvals, the Company is currently developing its first commercial project, the Blue Gum Gas Project, near Dalby in Queensland. This plant will supply 25PJ of natural gas per annum and is located within easy access to markets, and close to existing infrastructure.

Additionally, Carbon Energy has the potential to supply the growing overseas markets.

A key competitive advantage for Carbon Energy has been the development of its unique keyseam technology. This proven and highly controlled technology enables access to productive gas resources that were previously considered too deep or uneconomic.

keyseam maximises resource efficiency, while minimising surface disturbance and preserving groundwater quality. Originally developed by the Commonwealth Scientific and Industrial Research Organisation (CSIRO) it has been proven through six years of field trials.

Alongside its local operations, Carbon Energy works with international partners to unlock new energy resources offshore. The Company delivers end-to-end services from initial project assessment through to commercial project development, operations, site decommissioning and rehabilitation. It also has an established project in Inner Mongolia, China.

Carbon Energy is headquartered in Brisbane, Australia, is listed on the Australian Securities Exchange (ASX) as CNX and is quoted on the OTCQX International Exchange as CNXAY in the United States.

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All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: +61 1300 554 474
ASX Code: CNXO
Website: www.linkmarketservices.com.au

NAME AND ADDRESS OF OPTIONHOLDER
[Blank lines for address]

Exercise Price: \$0.06

Expiry Date: 31 July 2016

SRN/HIN
[Blank box for SRN/HIN]

NOTICE OF EXERCISE OF OPTIONS

PLEASE COMPLETE BELOW (using block letters) – refer overleaf for details and further instructions on how to complete this form.
I/We apply to exercise the following number of options and make payment in Australian currency drawn on an Australian branch of a financial institution for the amount payable. Please allot me/us Ordinary Shares calculated on the basis of one (1) Ordinary Share for every one (1) Option which I/we exercise. I/We agree to accept such Shares subject to the Constitution of Carbon Energy Limited.

A NUMBER OF OPTIONS EXERCISED
(Exercise all or part of CNXO Options)
[Blank box for number of options]

B TOTAL PAYMENT REQUIRED
(\$0.06 per CNXO Option exercised)
[Blank box for total payment]

at \$0.06 per Option Exercised \$A

C PLEASE INSERT YOUR CHEQUE/BANK DRAFT OR MONEY ORDER DETAILS
Cheques must be drawn on an Australian branch of a financial institution in Australian currency and made payable to "Carbon Energy Limited" and crossed "Not Negotiable".

Cheque Number [Blank] BSB [Blank] Account Number [Blank]

The application for Shares on exercise of the Options with the appropriate remittance should be lodged with Link Market Services Limited at its registered address Level 15, 324 Queen Street, Brisbane, QLD 4000 or mailed to Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia.

D YOUR CONTACT DETAILS
Telephone Number [Blank] Telephone Number – after hours [Blank] Contact Name (PRINT) [Blank]

E SIGNATURE OF OPTIONHOLDER(S) – this MUST be signed
Optionholder 1 [Blank] Optionholder 2 [Blank] Optionholder 3 [Blank]
Sole Director and Sole Company Secretary Director/Company Secretary Director

This form should be signed by the optionholder(s). Where the optionholder is an individual, a single signature is required. In the case of a joint holding, the signatures of each holder are required. Where the notice is signed by an attorney under power of attorney, please print the name of the attorney and state that the notice is signed under power of attorney and produce the power of attorney for noting purposes. Companies need to sign in accordance with their constitution, and the Corporations Act 2001 (Cth).

Date [Blank]



Rights and liabilities of the New Options

The New Options will be issued on the following terms and conditions:

Consideration

The New Options are issued as part of the Offer on the basis of 1 New Option for each New Share issued. No further consideration other than the payment of the Offer Price will be payable by Eligible Shareholders for the New Options.

Terms of Exercise

The exercise price of each New Option is \$0.06 (**Exercise Price**).

The New Options will expire on 31 July 2016 (**Expiry Date**).

Subject to and conditional upon any adjustment in accordance with the terms and conditions of the New Options as set out in the Prospectus dated 25 July 2013, each New Option entitles the holder to subscribe for one fully paid share upon payment of the Exercise Price prior to the Expiry Date.

The New Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the Exercise Price per New Option to the Company at any time on or after the date of issue and allotment of the New Options, on or before the Expiry Date.

On the valid exercise of the New Options and payment of the Exercise Price, the Company will issue Shares ranking pari passu with the then issued Shares.

Further details of the terms and conditions of the New Options were set out in the Prospectus dated 25 July 2013.