



carbonenergy

Carbon Energy Limited | ABN 56 057 552 137

Not For Release in the United States

ASX Announcement

7 October 2014

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Carbon Energy Limited
ABN 56 057 552 137
Carbon Energy (Operations) Pty Ltd
ABN 61 105 176 967

SPP to Gain Approvals to Advance Blue Gum Gas Project

- **SPP to eligible shareholders to raise up to \$5 million**
- **To be underwritten by Patersons Securities Limited to \$2.5 million**
- **Part of funds raised to be used to close out government review process and advancement of the Blue Gum Gas Project**

Carbon Energy (ASX: CNX, OTCQX: CNXAY) is pleased to announce a share purchase plan (**SPP**) for existing eligible shareholders to raise up to \$5 million which is to be underwritten to \$2.5 million. Patersons Securities Limited has been appointed as Lead Manager and Underwriter to the SPP.

Under the SPP, we would like to invite eligible shareholders to participate by purchasing up to \$15,000 of Carbon Energy ordinary shares at \$0.05 per share without incurring brokerage or transaction costs.

The right to participate in this offer under the SPP is available exclusively to eligible shareholders being persons who were registered as holders of fully paid shares in the Company at 7.00pm (Sydney, Australia time) on the Record Date (see below) and whose registered address was in Australia or New Zealand.

Shareholders will be sent an offer letter, SPP terms and conditions, and an application form to enable them to consider this investment. A copy of the offer letter and SPP terms and conditions is attached together with an Appendix 3B applying for the quotation of the new shares under the SPP.

Funds raised will be applied to the closing out of the Government's UCG review process, commencement of work on the Blue Gum Gas Project, the pursuit of off-take and/or investment partners in the Blue Gum Gas Project, further business development, general working capital, and costs of the issue.

Carbon Energy's Managing Director Morné Engelbrecht commented, "With the Company's recent announcement that it holds the fifth largest 2P gas Reserve in Queensland¹, the lodgement of the Rehabilitation Plan and interest shown by potential off-take parties, these

¹ Refer to ASX Announcement dated 22 September 2014.

funds will provide some of the initial capital required to advance the commercialisation of the Blue Gum Gas Project. The Blue Gum Gas Project has the potential to generate significant financial returns for the Company as well as generate numerous jobs and revenue for the state of Queensland and we look forward to continuing to work with the State Government to make this significant project a reality.”

A summary of the SPP details that will be sent to shareholders is set out below:

Announcement Date	7 October 2014	SPP is announced to the market.
Issue price	\$0.05 per share	This represents a discount of 19.35% to the average market price of the Carbon Energy shares for the five trading days before the Announcement Date.
Application Amounts	Eligible Shareholders may apply for \$2,000 (40,000 shares), \$5,000 (100,000 shares), \$10,000 (200,000 shares) or \$15,000 (300,000 shares)	Application amounts.
Record Date	3 October 2014	Date for deciding eligible shareholders 7.00pm (Sydney time).
Opening Date	9 October 2014	SPP opens and SPP offer documents are dispatched.
Closing Date	23 October 2014	SPP closes at 5.00pm (Sydney time).
Allotment Date	31 October 2014	Shares to be issued under SPP are allotted.
Holding Statement Dispatch Date	3 November 2014	Confirmation of transaction dispatched to shareholders.
Quotation Date	4 November 2014	Date on which Carbon Energy shares are expected to trade on ASX.

ENDS

For and on behalf of the Board

Morné Engelbrecht
Managing Director & Chief Executive Officer

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.

keyseam® is a registered Trademark of Carbon Energy Ltd



carbonenergy

SHARE PURCHASE PLAN

CARBON ENERGY LIMITED

Indicative Timetable:

SPP Record Date (7.00pm Sydney, Australia time)	Friday, 3 October 2014
Announcement of Share Purchase Plan	Tuesday, 7 October 2014
SPP Dispatch Date	Thursday, 9 October 2014
Share Purchase Plan Opens	Thursday, 9 October 2014
Share Purchase Plan Closes	Thursday, 23 October 2014
Allotment and Issue of Shares	Friday, 31 October 2014
Dispatch of holding statements	Monday, 3 October 2014
Quotation of Shares on ASX	Tuesday, 4 November 2014

This is an important document and should be read in its entirety.

This document has been prepared by Carbon Energy Limited. The Share Purchase Plan provides Eligible Shareholders with the opportunity to apply for additional Carbon Energy shares without brokerage and transaction costs.

The Share Purchase Plan does not take into account the individual investment objectives, financial situation or particular needs of each Eligible Shareholder.

Accordingly, before making a decision whether or not to apply for Shares in the Share Purchase Plan, you should consult your financial or other professional adviser.

This document is not a prospectus or other disclosure document under the Corporations Act.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO US PERSONS

LETTER FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Tuesday, 7 October 2014

Dear Shareholder,

This past year has seen unprecedented success for Carbon Energy Limited ACN 057 552 137 (**Carbon Energy** or **the Company**) as we focus on building a Queensland gas business. During the year we have demonstrated the credentials of our keyseam® underground coal gasification (**UCG**) technology. The Company is now in the process of satisfying the final pre-conditions to the development of its first commercial scale project, the Blue Gum Gas Project. Pending a decision from the Queensland Government to allow Carbon Energy to commence the standard approvals process, our Blue Gum Gas Project is poised for rapid development.

On 22 September 2014, we announced a significant increase in our Proved and Probable (**2P**) Surat Basin gas Reserves. The upgrade indicates that we now hold 1,128 petajoule (**PJ**) (1 trillion cubic feet (**Tcf**)) of natural gas equivalent – in energy terms, this equal to 188 million barrels of oil (**mmboe**), and transforms the Company into the fifth largest 2P gas Reserve holder in Queensland and more than doubles the Company's total gas Reserves.¹

The upgrade provides a solid foundation for building a Queensland gas business and will support Carbon Energy's plans to develop the Blue Gum Gas Project.

The Directors of Carbon Energy would now like to invite Eligible Shareholders to participate in Carbon Energy's Share Purchase Plan (**SPP**).

1. Summary of the SPP

The Company is seeking to raise up to \$5 million. The Company reserves the right to place shortfall or additional shares subject to the ASX Listing Rules.

Patersons Securities Limited has agreed to act as lead manager to the SPP, and to underwrite the SPP to a maximum of \$2.5 million, subject to customary terms and conditions.

We invite you to read this document thoroughly in conjunction with the publicly available information relating to Carbon Energy available from our website (www.carbonenergy.com.au).

Your Board unanimously recommends this capital raising initiative.

¹ Refer to footnote 2 on page 5 for disclosure regarding Reserve estimates.

2. SPP Details

Under the SPP, Eligible Shareholders can apply for up to \$15,000 worth of new Shares without paying brokerage or additional charges. Eligible Shareholders may apply for shares in an amount of \$2,000, \$5,000, \$10,000 or \$15,000.

The SPP Price is \$0.05, which represents a 19.35% discount on the volume weighted average market price of the Company's shares calculated over the last 5 days on which sales in the shares were recorded before the announcement of the SPP.

The SPP will open at 9:00am (Sydney, Australia time) on Thursday, 9 October 2014, and will remain open until 5.00pm (Sydney, Australia time) on Thursday, 23 October 2014, subject to the Board's discretion to vary any dates of the SPP. Accordingly, if you wish to apply for any shares under the SPP, you should follow the instructions outlined in the accompanying Application Form so payment is received at our Share Registrar by that date. Payment may be made by cheque or BPAY®.

It is proposed that the following timetable apply in respect of the SPP:

Event	Date
Record Date of the SPP (7.00pm Sydney, Australia time)	Friday, 3 October 2014
Announcement of Share Purchase Plan	Tuesday, 7 October 2014
SPP Dispatch Date	Thursday, 9 October 2014
Opening Date of the SPP	Thursday, 9 October 2014
Closing Date of the SPP	Thursday, 23 October 2014
Issue and Allotment of new shares under the SPP	Friday, 31 October 2014
Dispatch of holding statements	Monday, 3 November 2014
Quotation of new shares under the SPP	Tuesday, 4 November 2014

The above timetable is indicative only. Carbon Energy reserves the right to vary any of the key dates above, including the Closing Date and the Issue Date, without further notice.

Participation in the SPP is optional and is only open to Eligible Shareholders who are registered as holders of shares in Carbon Energy at 7.00pm (Sydney, Australia time) on Friday, 3 October 2014 (**Record Date**) whose registered address is in Australia or New Zealand, as set out in Carbon Energy's shareholder register on the Record Date. The rights of shareholders to participate under this SPP are not transferable.

Full details of the terms and conditions of the SPP and how to participate are contained within this SPP document. By making an application to purchase shares under the SPP, you will have agreed to be bound by those terms and conditions.

Carbon Energy proposes to raise up to \$5 million under the SPP, but reserves the right to place shortfall or additional shares subject to the ASX Listing Rules.

If you are a “custodian” (which includes where you are noted on the share register as holding shares in the Company on account of another person) you may be required to submit a custodian certificate in order to participate on behalf of any beneficiaries. Further details in this regard are set out in the SPP Terms and Conditions.

3. Use of Funds

Funds raised under this SPP are proposed to be used primarily to support:

- the closing out of the process with the Queensland Government to demonstrate appropriate decommissioning and the requirements and planning for any necessary rehabilitation for the Company’s UCG trial site near Dalby, in South East Queensland (**UCG Trial Site**);
- the commencement of the development of the Blue Gum Gas Project, which might include the following; the completion of an Advanced Conceptual Study moving onto a detailed pre-feasibility study, an initial advice statement (IAS) for the environmental impact statement (EIS) process, and other associated activities;
- the pursuit of an off-take and/or investment partner in the Blue Gum Gas Project;
- the pursuit of further business development and technology licensing opportunities both in Australia and internationally; and
- general working capital.

4. Strategic Update

Carbon Energy undertook a review of its strategic direction in early 2014, the result of that review was to reinforce the importance of the following key objectives, and focus on building a Queensland gas business alongside its international activities:

Obtain State Government approval to proceed commercially – Submission of both the Decommissioning Report and Rehabilitation Plan is the final step in the process recommended by the Independent Scientific Panel (**ISP**) appointed by the Government to review the UCG trials in Queensland. We are working co-operatively with the State Government to demonstrate appropriate decommissioning and rehabilitation requirements and planning for the UCG Trial Site.

Carbon Energy has taken this process extremely seriously, having invested heavily during 2014 financial year in sampling and environmental studies to comprehensively demonstrate the environmental credentials of our technology. Receipt of approval from the Queensland State Government to proceed with commercial plans will pave the way for the Blue Gum Gas Project.

Rapid Development of Blue Gum Gas Project - to ensure that Carbon Energy is well placed to capitalise on forecast local gas supply shortages, preparation for the commencement of commercialising the Blue Gum Gas Project has begun in anticipation of receiving approval to proceed to a commercial scale project.

Carbon Energy is uniquely placed to contribute to meeting these forecast shortages, and the Blue Gum Gas Project is intended to deliver 25PJ per annum of pipeline quality natural gas. It is anticipated that first gas could be supplied to local industry by 2017, subject to securing suitable investment partners, long term off-take arrangements are contracted for and State Government approvals are received.

Further Licensing Opportunities – the establishment of the Blue Gum Gas Project will support the securing of further technology licensing opportunities in Australia and internationally, with the ongoing aim for Carbon Energy to be the partner of choice for UCG projects worldwide.

5. Results to Date and Looking Ahead:

During 2014 Carbon Energy has made significant technology and business development breakthroughs including:

- An increase in its Surat Basin 2P gas Reserve, which transforms the Company into the fifth largest 2P Reserve holder in Queensland²;
- Completion of a comprehensive drilling and sampling program at its UCG Trial Site;
- Lodgement of a Decommissioning Report and Rehabilitation Plan for Carbon Energy's UCG Trial Site, which demonstrate Carbon Energy's ability to operate its keyseam technology without significant harm to the environment or significant impact on beneficial use of the region's groundwater;
- Commencement of an Advanced Conceptual Study for the Blue Gum Gas Project;
- Commencement of discussions with potential equity investors and debt providers for the Mulpun UCG Project in Chile, South America; and
- Achieving substantial completion of four work packages for Stage 1 of the Inner Mongolia UCG Project

The Directors consider that Carbon Energy is well positioned to take advantage of further market opportunities in Australia and around the world.

On the basis of the SPP Price, we commend the SPP to you and look forward to your support.

² All Reserve and Resource estimates (**Estimates**) in this document are reported in accordance with the requirements of ASX Listing Rules 5.25 to 5.28. It is noted in particular that:

- (a) This document refers to Estimates reported on 19 September 2014 and released to the market on 22 September 2014 (**Updated Reserves Statement**);
- (b) All Estimates are based on the deterministic method for estimation of petroleum resources at the field and project levels and are attributable to the gross (100 percent) ownership interest of Carbon Energy in certain coal properties located in MDL374, EPC867, EPC869 and EPC1132 located in the Surat Basin of Queensland, Australia;
- (c) All Estimates are reported using the following conversion factors as relevant:
 - (i) UCG Energy conversion factor is 16.73 GJ of syngas per tonne of coal gasified;
 - (ii) UCG syngas to Synthetic Natural Gas (SNG) conversion factor is 38.5 to 25;
 - (iii) 1,055 Petajoule (PJ) = 1 Trillion cubic feet (Tcf); and
 - (iv) 1 barrel of oil equivalent (boe) = 6,000 cubic feet.

Further, Carbon Energy confirms that it is not aware of any new information or data that materially affects the information included in the Updated Reserves Statement and that all material assumptions and technical parameters underpinning the estimates in the Updated Reserves Statement continue to apply and have not materially changed.

For further information, please contact the Shareholder Information line on 1300 970 086 (toll free within Australia) or +61 1300 970 086 (outside Australia). You may also contact Carbon Energy on 07 3156 7777 or by email at: askus@carbonenergy.com.au

Yours sincerely,

Handwritten signature of Chris Rawlings in black ink.

CHRIS RAWLINGS
Chairman

Handwritten signature of Morné Engelbrecht in black ink.

MORNÉ ENGELBRECHT
Chief Executive Officer

CARBON ENERGY LIMITED SHARE PURCHASE PLAN

WARNING

In making this offer to Eligible Shareholders in New Zealand, the Company is relying on the Securities Act (Overseas Companies) Exemption Notice 2002 (NZ), by virtue of which this document is not required to be registered in New Zealand.

The contents of this document have not been reviewed by any regulatory authority in any jurisdiction. Please read this document carefully before you make a decision to invest. If you are in any doubt about the contents of this document, you should obtain independent professional advice.

This is an Offer to Eligible Shareholders of Carbon Energy Limited ACN 057 552 137 (**Company**) to apply for additional fully paid ordinary shares in the Company (Shares) under the terms and conditions of the Carbon Energy Limited Share Purchase Plan (SPP). Eligible Shareholders have the opportunity to apply for additional Shares without incurring brokerage or stamp duty.

1. Eligibility

You will be eligible to participate in the SPP if you are a holder of Shares as recorded in the Company's register of Shareholders at 7.00 pm (Sydney, Australia time) on Friday, 3 October 2014 (**Record Date**), with a registered address in either Australia or New Zealand, as set out in Carbon Energy's shareholder register on the Record Date (**Eligible Shareholder**).

This SPP does not constitute an offer in any jurisdiction in which or to any person to whom it would be unlawful to make such an offer. The Company reserves the right to reject any application which it believes comes from a person who is not an Eligible Shareholder. Participation in the SPP is entirely optional. Offers made under the SPP are not renounceable. This means that shareholders cannot transfer their right to participate in the SPP to another person. Existing option holders who are not also shareholders are not entitled to participate in the SPP.

2. Participation

(Single holders) If you are the only registered holder of a holding of Shares, but you receive more than one Offer under the SPP (for example, due to multiple registered holdings), you may only apply for up to \$15,000 worth of Shares.

(Joint holders) If you are recorded with one or more other persons as the joint holder of Shares, that joint holding is considered to be a single registered holding for the purpose of the SPP, and the joint holders are entitled to participate in the SPP in respect of that single holding only. If the same joint holders receive more than one Offer under the SPP due to multiple identical holdings, whether those joint holdings be in the same registered name of the joint holding, or as an individual holder, the joint holders may only apply for a maximum parcel of \$15,000 worth of Shares.

(Custodians, trustees and nominees) Eligible Shareholders who are Custodians may participate in the SPP on behalf of:

- a) a person, who is not a Custodian, on whose behalf the Custodian is holding Shares;
- b) a person that another Custodian (**Downstream Custodian**) holds the beneficial interest in Shares on behalf of and that the Custodian holds the shares to which those beneficial interests relate on behalf of the Downstream Custodian or another Custodian,

(each a **Participating Beneficiary**).

If you are a Custodian and hold Shares on behalf of one or more Participating Beneficiaries, you may apply for a maximum of \$15,000 worth of Shares for each Participating Beneficiary subject to providing the Company with a Custodian Certificate – see paragraph 8 – which must be received before 5.00pm on the Closing Date in addition to the Application Form.

If you hold Shares as a trustee or nominee for another person, but are not a Custodian as defined above, you cannot participate for beneficiaries in the manner described above. In this case, the rules for multiple single holders (as above) will apply.

If you hold Shares as a Custodian for joint holders:

- the \$15,000 limit applies jointly in relation to those persons as if the Custodian holds the Shares on behalf of a single person; and
- where the terms on which the Shares are held do not cover the giving of instructions of this kind - the Custodian has received such an instruction from any of those persons.

If you are a Custodian and wish to make an application under the SPP, obtain a Custodian Certificate or would like further information on how to apply, you should contact Carbon Energy's Share Registry, Link Market Services Limited, 1300 970 086 (toll free within Australia) or +61 1300 970 086 (outside Australia). Additionally, if Eligible Shareholders or Participating Beneficiaries have received Shares under a share purchase plan or any similar arrangement in the last 12 months the total price paid for those Shares and any Shares applied for under this SPP must not exceed \$15,000.

3. Pricing of Shares under the SPP

The SPP Price is \$0.05 per share. This represents a 19.35% discount on the volume weighted average market price of the Company's shares calculated over the last 5 days on which sales in the shares were recorded before the announcement of the SPP. No brokerage, commissions, stamp duty or other transaction costs will be payable by Eligible Shareholders in respect of an application for, or an issue of, Shares under the SPP.

4. Applications for Shares

Eligible Shareholders may apply for a number of Shares in an amount of \$2,000, \$5,000, \$10,000 or \$15,000. Any fractional entitlement arising will be rounded up to the next whole number of shares, subject to the right to scale back as outlined in paragraph 5 below.

5. Scale back

Carbon Energy is seeking to raise up to \$5 million under the SPP (**Maximum Amount**). The Company reserves the right to place shortfall or additional shares, subject to the ASX Listing Rules. To the extent of applications above the Maximum Amount the company may scale back applications at the discretion of the Directors and any determination by the Directors as to scale back shall be final and binding on all applicants. If applications are scaled back, the

Company will refund the balance of application monies, without interest, following allotment by way of cheque to the applicant's registered address. The Company also reserves the right to scale back applications if it believes that to do otherwise would be contrary to law.

6. Applying for Shares under the SPP

Eligible Shareholders wishing to apply for Shares under the SPP must either:

- a) send their Application Form together with a cheque, money order or bank draft; or
- b) make payment via BPAY®,

in accordance with the instructions below and as set out on the Application Form.

Payment by Cheque

If paying by cheque, money order or bank draft:

- a) complete the Application Form;
- b) pay the Application Amount in the manner specified on the Application Form;
- c) forward the completed Application Form and payment for the Application Amount to the Company's Share Registrar at the addresses specified on the Application Form, to reach such addresses by no later than 5.00pm (Sydney, Australia time) on the Closing Date;
- d) ensure that your cheque account has sufficient funds to cover your payments, as your cheque will be presented for payment on the day of receipt. If your bank dishonours your cheque your application will be rejected. Dishonoured cheques will not be represented; and
- e) please make your cheque payable to Carbon Energy Limited SPP Account.

Payment by BPAY

If you elect to use the BPAY option:

- a) pay the Application Amount electronically using BPAY to reach the Company's Share Registry by no later than 5.00pm (Sydney, Australia time) on the Closing Date; and
- b) do not return the Application Form if you elect the BPAY option.

Payment of the Application Amount electronically using BPAY must be undertaken in accordance with the instructions set out on the Application Form.

The Application Form contains a unique reference number in relation to a Shareholder and an Eligible Shareholder must provide this unique reference number when paying the Application Amount electronically using BPAY. You should also be aware that your financial institution may implement earlier cut-off times with regards to electronic payments and you should therefore take this into consideration before submitting your application.

Please note that only Eligible Shareholders having an account with an Australian financial institution who participates in the BPAY scheme have the ability to elect to use the BPAY option.

All Application Amounts received will be deposited into an account and any Application Amounts received in respect of any applications rejected by the Board in accordance with the Terms and Conditions, shall be refunded by the Company without interest.

The return of the Application Form with the application monies, or the remittance of funds via BPAY will constitute the Eligible Shareholder's offer to subscribe for Shares on the terms

and conditions of this SPP. Once an application has been made, it cannot be revoked. No notice of acceptance of the application will be provided.

The Board reserves the right to reject any application for Shares (in whole or in part) including (without limitation) if:

- a) an Application Form is not correctly completed; or
- b) the applicant is not an Eligible Shareholder; or
- c) the issue of those Shares would contravene any law or the Listing Rules; or
- d) the exact payment for the Shares applied for is not received; or
- e) to accept the application in full would have the effect of exceeding the maximum number of Shares that could be issued under the SPP; or
- f) it is not reasonably satisfied that the issue of those Shares will not result in any person receiving Shares with an application price totalling more than \$15,000 as a result of:
 - i. Shares issued to the person or to a Custodian on that person's behalf (as a result of an instruction given by that person or another Custodian to the Custodian to apply for Shares on their behalf) under the SPP; and
 - ii. any other Shares issued to the person or to a Custodian on that person's behalf (as a result of an instruction given by that person or another Custodian to the Custodian to apply for Shares on their behalf) under an arrangement similar to the SPP operated by the Company in the 12 months prior to the Allotment Date, except to the extent that the person is issued with shares or interests as a Custodian under a Custodian Offer; or
- g) the applicant is a Custodian and has failed to provide the Company with a Custodian Certificate; or
- h) the applicant has not otherwise complied with the Terms and Conditions.

The Board reserves the right to allocate fewer, or no, Shares than an Eligible Shareholder applies for under the SPP, including, without limitation, in the event that applications under the SPP exceed the Maximum Amount, at its sole discretion.

Any Application Amount (where the amount is \$1 or more) received in excess of the nominated Application Amount included on the Application Form will be refunded via cheque to your address as shown on the Company's register.

In respect of each application received by the Company for Shares under the SPP, the Company shall not have any obligation to issue any Shares the subject of the application until the Board have resolved to accept all or part of an application and only to the extent of such acceptance, having regard to the matters set out in the Terms and Conditions.

7. Certification by Eligible Shareholders

By submitting an Application Form and making payment of the Application Amount in the manner set out in paragraph 6 by cheque, money order or bank draft or by making a BPAY payment of the Application Amount in the manner set out in paragraph 6, you certify, acknowledge, warrant and represent as true, correct and not misleading to the Company that:

- a) you are an Eligible Shareholder, as defined in paragraph 2;

- b) you have read, understood and agree to be bound by the terms and conditions of the SPP and agree not to do any act or thing that would be contrary to the spirit, intention or purpose of the SPP;
- c) your application is irrevocable and unconditional;
- d) you agree to be bound by the terms of the Company's constitution in respect of any Shares which may be issued to you under this SPP;
- e) if you are not a Custodian, the aggregate of the application price for the following does not exceed \$15,000:
 - i. the Shares the subject of the Application Form or BPAY payment; and
 - ii. any other Shares issued to you under the SPP or any similar arrangement in the 12 months before the submission of the Application Form or BPAY payment; and
 - iii. any other Shares that you have instructed a Custodian to apply for or acquire on your behalf under the SPP; and
 - iv. any other Shares that have been issued to a Custodian under an arrangement similar to the SPP in the 12 months before the submission of the Application Form or making the BPAY payment as a result of an instruction given by either you or another Custodian, to the Custodian to apply for Shares on your behalf under an arrangement similar to the SPP;
- f) you accept the risk associated with any refund that may be sent to your address or to your nominated bank account as shown on the Company's share register;
- g) you acknowledge that no interest will be paid on any Application Amounts held pending acceptance or rejection of any application and the allotment of the SPP Shares refunded to you for any reason;
- h) you acknowledge that the Company and the Share Registry have not provided any investment advice or financial product advice, and that none of them has any obligation to provide this advice in relation to your consideration as to whether or not to participate in the SPP;
- i) you acknowledge that the Company (and each of its officers and agents) is not liable for any consequences of the exercise or non exercise of its discretions referred to in the SPP;
- j) you acknowledge that the SPP Shares have not, and will not be, registered under the US Securities Act of 1933 or the securities law of any other jurisdiction outside Australia or New Zealand and, accordingly, the SPP Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws;
- k) you agree not to send the SPP Terms and Conditions or any other material relating to the SPP to any person in the United States or any other country outside Australia and New Zealand;
- l) you authorise the Company (and each of its officers and agents) to correct any error in, or omission from, the Application Form and complete the Application Form by inserting any missing details;

- m) you acknowledge that the Company may at any time irrevocably determine that your application is valid, in accordance with the terms and conditions of the SPP, even if the Application Form is incomplete, contains errors or is otherwise defective;
- n) you are responsible for any dishonour fees or other costs the Company may incur in presenting a cheque or money order for payment that is dishonoured; and
- o) if two or more persons are recorded in the Company's register of members as jointly holding Shares or interest in the Company, they are taken to be a single registered holder and a certification given by any of them is taken to be a certification given by all of them.

8. Certification by Custodians

Custodians wishing to apply on behalf of one or more Participating Beneficiaries need to provide a Custodian Certificate which complies with the requirements of the Class Order to the Company which must be received by 5.00pm (Sydney, Australia time) on the Closing Date in addition to the Application Form. Custodians should have received a Custodian Certificate with these Terms and Conditions. If you are a Custodian and you did not receive a Custodian Certificate or would like further information on how to apply, please contact Carbon Energy's share registry, 1300 970 086 (toll free within Australia) or +61 1300 970 086 (outside Australia). If you are a Custodian, by submitting an Application Form, together with the appropriate payment of the Application Amount in the manner specified in paragraph 6, you certify, acknowledge, warrant and represent as true, correct and not misleading to the Company that you have provided a Custodian Certificate and that:

- a) you are a Custodian as defined in the Class Order;
- b) as at the Record Date, either:
 - i. you hold Shares on behalf of one or more Participating Beneficiaries directly and the Participating Beneficiaries have instructed you to apply for Shares on their behalf under the SPP; or
 - ii. a Downstream Custodian holds a beneficial interest in Shares and you hold the Shares to which the beneficial interest relates on behalf of the Downstream Custodian or another Custodian (Downstream Holding) and the Downstream Custodian has been instructed by the Participating Beneficiary to apply for shares on their behalf under the SPP;
- c) there are no Participating Beneficiaries in respect of which the total of the application price for the following exceeds \$15,000:
 - i. the Shares applied for by you as Custodian on their behalf under the SPP in accordance with instructions referred to in the paragraph above; and
 - ii. any other Shares issued to you as Custodian in the 12 months prior to the date of submission of the Application Form as a result of an instruction given by them to you as Custodian, or to the Downstream Custodian as the case may be, to apply for Shares under an arrangement similar to the SPP operated by the Company;
- d) a copy of the written Offer documents (including the Terms and Conditions) have been given to each Participating Beneficiary.

The Custodian Certificate must also state:

- a) the number of Participating Beneficiaries;

- b) the name and address of each Participating Beneficiary for whom the Custodian applies for Shares;
- c) in respect of each Participating Beneficiary, either:
 - i. the number of Shares that the Custodian holds on their behalf; or
 - ii. in the case of a Downstream Holding, the number of Shares to which the beneficial interest relates;
- d) in respect of each Participating Beneficiary, either:
 - i. the number or the dollar amount of Shares the Participating Beneficiary has instructed the Custodian to accept on their behalf; or
 - ii. in the case of a Downstream Holdings, the number or the dollar amount of Shares the Participating Beneficiary has instructed the Downstream Custodian to accept on their behalf;
- e) in the event of a Downstream Holding, the name and address of each Custodian who holds beneficial interests in Ordinary Shares in relation to each Participating Beneficiary.

9. Issue of Shares

The Company is prohibited from issuing any Shares to any Eligible Shareholder unless either:

- a) the Eligible Shareholder has provided the certification set out in paragraph 7; or
- b) if the Offer is made by way of a Custodian Offer, the Custodian has provided a Custodian Certificate,

at the time of applying for the Shares.

The Directors of the Company reserve the right to issue to Eligible Shareholders such number of Shares under the SPP as is permitted pursuant to the Listing Rules without shareholder approval. Without limitation to any other matter set out in the Terms and Conditions, in the event that applications for Shares under the SPP exceed the Maximum Amount, the Board reserves the right to allocate fewer, or no, Shares than an Eligible Shareholder applies for under the SPP at its sole discretion.

The Company intends to issue the Shares under the SPP on or about Friday, 31 October 2014 (**Issue Date**). The Company reserves the right to vary the Issue Date without further notice.

In respect of Application Amounts received from an Eligible Shareholder, will, prior to the Issue Date, determine the maximum number of Shares rounded up to the nearest whole number which may be acquired by any Eligible Shareholder. The Company will return, without interest, all or part of any Application Amount received by the Company which relates to any part of an application which is rejected by the Company.

The allocation of Shares and any scale back methodology will be determined by the Board at its sole discretion and any determination by the Directors as to scale back shall be final and binding on all applicants.

In the event that the Offer under the SPP is not fully subscribed, the Board reserves its right to issue Shares in excess of the maximum \$15,000 worth of Shares specified in paragraph 2 (**Additional Issue**), to any person (whether or not such person is an Eligible Shareholder) so long as the Additional Issue:

- a) satisfies section 708 of the Corporations Act; and
- b) any approval of Shareholders to the Additional Issue which is required under the Listing Rules or the Corporations Act is obtained.

The Company will apply to ASX for quotation of the Shares issued under the SPP and the Additional Issue (if any) within the period prescribed in the Listing Rules.

The Company may pay brokerage and other commissions in respect of any subscriptions procured in respect of any Additional Issue.

11. Indicative Timetable

Indicative Timetable:	
SPP Record Date (calculated at 7pm Sydney, Australia time)	Friday, 3 October 2014
Announcement of Share Purchase Plan	Tuesday, 7 October 2014
SPP Dispatch Date	Thursday, 9 October 2014
Share Purchase Plan Opens	Thursday, 9 October 2014
Share Purchase Plan Closes	Thursday, 23 October 2014
Allotment and Issue of Shares	Friday, 31 October 2014
Dispatch of holding statements	Monday, 3 November 2014
Quotation of Shares on ASX	Tuesday, 4 November 2014

These dates are indicative only. The Company may vary the dates and times of the SPP or withdraw it without notice. Accordingly, Eligible Shareholders are encouraged to submit their application as early as possible.

12. Additional Terms of this SPP

In addition to any rights of the Board to reject applications as set out in these Terms and Conditions, the Board also reserves the right to allocate fewer, or no, Shares than an Eligible Shareholder applies for under the SPP if the Board believes that acceptance of all or part of an application or the allotment of those Shares would contravene any of the Listing Rules or the requirements of the Class Order. In any such case, excess Application Amounts will be returned to the relevant applicant(s). No interest will be paid on Application Amounts so returned.

The Offer of Shares under the SPP is in accordance with the Class Order which grants relief from the requirement to prepare a disclosure document for this Offer and in accordance with the Listing Rules. The requirements of the Class Order are incorporated into this SPP.

The contents of this document have not been reviewed by any regulatory authority in any jurisdiction.

All Shares issued under the SPP will rank equally with existing Shares. The SPP is administered by the Board which may determine in any manner it thinks fit, any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the SPP whether generally or in relation to any participant, or application, or Shares and the determination of the Board will be conclusive and binding on all participants and other persons to whom the determination relates.

The Board reserves the right to withdraw this SPP and any offer under it at any time prior to the allotment of Shares and to waive strict compliance with any provision of these terms and conditions, to amend or vary these terms and conditions and to suspend, terminate or withdraw the SPP at any time without notice to Shareholders. If the SPP is withdrawn, all application monies will be refunded without interest.

13. Why should you apply for Shares pursuant to this SPP?

Shares under this SPP are offered at a discount to their market value prior to the date when the SPP was announced. There is no brokerage, commissions or other participation costs payable by you in respect of any acquisition of Shares under this SPP.

14. Risks

Potential investors should consider the risks that could affect the Company before deciding to apply for Shares under the SPP. As with any share investment, the shares may not yield a return, including a return of capital. The company is also subject to risks including:

- Technology Risk – in the ongoing UCG development;
- Uncertainty of Development of Projects and Exploration Risk;
- Environmental Risk;
- Queensland State Government Approvals Risk;
- UCG Government Regulation – required for the Queensland and offshore development projects;
- Gas Market – prices and conditions in Australia and offshore markets the Company is exposed to;
- Foreign Country Risks;
- Future Financing – that future projects can be financed;
- Strategic Cropping Land;
- Restriction on Urban Encroachment;
- Operating Risks;
- Reliance on Key Personnel;
- Tenure Risk – for Australian and offshore projects;
- Aboriginal Sites of Significance;

- Resources and Reserves – estimation risk;
- Contractual Risk;
- Share Market Conditions;
- General Economic Factors and Investment Risks;
- Changes in Government Policies and Laws;
- Management Actions;
- Industrial Risk;
- Taxation;
- Cultural Heritage;
- Legal action;
- Process Water Release;
- Overlapping Tenure –the Company's tenements in Queensland are overlapped by petroleum exploration permits; and
- Evaluation and development drilling risk.

Potential investors should carefully consider the risks in light of their personal circumstances (including financial and taxation issues) and seek professional advice from their stockbroker, accountant, lawyer or other professional adviser before making an application.

15. Consider obtaining financial advice

- a) The Offer to apply for Shares under the SPP is not a recommendation to purchase Shares. You should consider obtaining professional financial and/or taxation advice to assist you in determining whether or not, and the extent to which, you wish to participate in the SPP.
- b) Nothing in this SPP Terms and Conditions, the Application Form or any other accompanying documentation constitutes investment or financial product advice or is intended to influence your decision whether or not to participate in the SPP.

16. Non-residents

The right to participate in this Offer under the SPP is available exclusively to Eligible Shareholders being persons who were registered as holders of fully paid Shares in the Company at 7.00pm (Sydney, Australia time) on the Record Date and whose registered address was in Australia or New Zealand.

Eligible Shareholders who are not residents of Australia should consult their professional advisers as to whether any formalities need to be observed (either by them or the Company) to enable them to apply for Shares. It is the responsibility of such Eligible Shareholders to obtain all necessary approvals so they may legally apply for Shares. The return of a completed Application Form and accompanying Application Amount, or the forwarding of payment of the Application Amount using BPAY from a non-resident Eligible Shareholder will be taken by the Company to constitute a representation and warranty by that Eligible Shareholder that all relevant approvals have been obtained and that the Company may legally offer and issue the Shares to that Eligible Shareholder.

The contents of this document have not been reviewed by any regulatory authority in any jurisdiction.

17. New Zealand

- a) The Shares are not being offered or sold to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand) which grants relief from the requirement to prepare an investment statement or prospectus for this Offer.
- b) This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

18. United States

This document may not be released or distributed in the United States. The Shares have not been and will not be registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. The Shares may not be taken up by persons in the United States or by persons who are acting for the account or benefit of a person in the United States where it would be unlawful to do so. The Shares may not be offered, sold or resold in the United States except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and the applicable securities laws of any state or other jurisdiction in the United States.

19. Queries

If you have any queries concerning the SPP, please call on 1300 970 086 (toll free within Australia) or +61 1300 970 086 (outside Australia).

Yours sincerely

On behalf of the Board



MORNÉ ENGELBRECHT

Managing Director & Chief Executive Officer

GLOSSARY:

Allotment Date	means Friday, 31 October 2014, or such other date determined by the Board.
Application Form	means the application form distributed with these Terms and Conditions.
Application Amount	means the total amount payable by an Eligible Shareholder who applies for Shares under the SPP based on the SPP Price for the total number of Shares applied for by that Eligible Shareholder.
ASX	means the Australian Securities Exchange.
Board	means the Board of Directors of the Company from time to time.
Class Order	means ASIC Class Order 09/425 dated 15 June 2009 as amended or supplemented from time to time.
Closing Date	means Thursday, 23 October 2014 or such other date determined by the Board.
Company	means Carbon Energy Limited ABN 56 057 552 137
Corporations Act	means the Corporations Act 2001 (Cth) as amended from time to time.
Corporations Regulations	means the Corporations Regulations 2001 (Cth) as amended from time to time.
Custodian	<p>means a custodian, trustee or, nominee within the definition of 'custodian' in ASIC Class Order [CO 09/425], that:</p> <ul style="list-style-type: none"> • holds an Australian financial services licence that: <ul style="list-style-type: none"> – covers the provision of a custodial or depository service; or – includes a condition requiring the holder to comply with ASIC Class Order [CO 02/294]; or • is exempt under: <ul style="list-style-type: none"> – paragraphs 7.6.01(1)(k) or 7.6.01(1)(na) of the Corporations Regulations; or – ASIC Class Order [CO 05/1270] to the extent that it relates to ASIC Class Order [CO 03/184]; or – ASIC Class Orders [CO 03/1099], [CO 03/1100], [CO 03/1101], [CO 03/1102], [CO 04/829] or [CO 04/1313]; or – An individual instrument of relief granted by ASIC to the person in terms similar to one of the class orders referred to in the above paragraph; or – Paragraph 911A(2)(h) of the Act; – from the requirement to hold an Australian financial services licence for the provision of a custodial or depository service; or • that is a trustee of a:

	<ul style="list-style-type: none"> – self-managed superannuation fund; or – superannuation master trust; or • that is the responsible entity of an IDPS-like scheme; or • that is the registered holder of shares or interests in the class and is noted on the register of members of the body or scheme (as the case may be) as holding the shares or interests on account of another person.
Custodian Certificate	means the certification required to be given by a Custodian to the Company pursuant to paragraph 9 of the Terms and Conditions.
Custodian Offer	means an invitation to a registered holder who is a Custodian to apply for Shares on behalf of a person on whose behalf the Custodian is holding Shares.
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.
Maximum Amount	means up to \$5 million (subject to the Company's ability to place shortfall or additional shares).
Offer	means an invitation to Eligible Shareholders to apply for \$2,000, \$5,000, \$10,000 or \$15,000 worth of Shares in the Company under the SPP.
Record Date	means 7.00pm (Sydney, Australia time) Friday, 3 October 2014.
Shareholders	means those persons or entities that hold Shares.
Shares	means fully paid ordinary shares in the Company.
Share Registrar	means Link Market Services Limited.
SPP Price	means \$0.05 per Share.
Terms and Conditions	means the terms and conditions set out in this document.

References to "\$" means a reference to the respective amount in Australian dollars.

FURTHER INFORMATION:

Please refer to the latest releases on the Company's website www.carbonenergy.com.au. These releases include but are not limited to:

Release:	Date released:
Carbon Energy Webcast	1 October 2014
Rehabilitation Plan lodged with Queensland Government	1 October 2014
CNX Investor Presentation – September and October	30 September 2014
Shareholder Update – Exercise of CNXO Listed Options	24 September 2014
CNX Notice of Change of Interests of Substantial Holder	24 September 2014
Carbon Energy Webcast	22 September 2014
Singapore and Hong Kong Investor Presentation	22 September 2014

In addition, information on Carbon Energy’s recent activities is available from the Company’s ASX announcements which can be accessed on the Company’s website www.carbonenergy.com.au and on the ASX website at www.asx.com.au (ASX code: CNX).



carbonenergy

ABN 56 057 552 137

All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: +61 1300 554 474
ASX Code: CNX

Website: www.linkmarketservices.com.au

SRN/HIN:

Entitlement Number:

Record Date: 3 October 2014

Offer Opens: 9 October 2014

Offer Closes
5:00pm (Sydney time): 23 October 2014

SHARE PURCHASE PLAN ("SPP") APPLICATION FORM

How do I apply for Shares under this offer?

- Carefully read the SPP Terms and Conditions accompanying this form.
- Decide on the amount you wish to apply for.
- Pay for the Shares in accordance with the instructions outlined in the Terms and Conditions Booklet and further important instructions on the reverse of this form.

Option 1: Paying by BPAY®.

Option 2: Paying by Cheque, Bank Draft or Money Order.

- Payments must be in Australian dollars.

PAYMENT OPTIONS

Option 1: Paying by BPAY®

If paying by BPAY®, you do **NOT** need to complete or return the Acceptance Slip attached to this Application Form below. Payment must be received by the Registry by BPAY® by 5:00pm (Sydney time) on 23 October 2014. By paying by BPAY®, you will be deemed to have completed an Application Form for the number of Shares the subject of your Application Payment.

If you make a payment by BPAY® and Carbon Energy Limited receives an amount which is not equal to either A\$2,000, A\$5,000, A\$10,000 or A\$15,000, Carbon Energy Limited may round down the dollar amount of Shares that you are applying for to the next lowest parcel at their discretion. Your payment must be for a minimum of A\$2,000.



Billers Code: 424499

Ref:

Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account.

More info: www.bpay.com.au

© Registered to BPAY Pty Ltd ABN 69 079 137 518

Option 2: Paying by Cheque, Bank Draft or Money Order

If paying by cheque, bank draft or money order, complete and return the Acceptance Slip attached to this Application Form with your Application Payment.

- Tick the box beside the amount you wish to apply for, either A\$2,000, A\$5,000, A\$10,000 or A\$15,000.
- Enter your cheque, bank draft or money order details. The amount of your Application Payment should be equal to the amount applied for in section A of the Acceptance Slip. Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "Carbon Energy Limited" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque, bank draft or money order for an amount that is not equal to either A\$2,000, A\$5,000, A\$10,000 or A\$15,000, Carbon Energy Limited may round down the dollar amount of Shares that you are applying for to the next lowest parcel at their discretion. Your payment must be for a minimum of A\$2,000.
- Enter your contact telephone number at which we may contact you regarding your application for Shares, if necessary.

THIS IS A PERSONALISED FORM FOR THE SOLE USE OF THE SHAREHOLDER AND HOLDING RECORDED ABOVE.

Please detach and enclose with payment

SRN/HIN:

Entitlement Number:



A I/we wish to purchase a parcel of Shares to the dollar amount of (tick one box only):

<input type="checkbox"/>	A\$2,000	OR	<input type="checkbox"/>	A\$5,000	OR	<input type="checkbox"/>	A\$10,000	OR	<input type="checkbox"/>	A\$15,000
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B Make your cheque, bank draft or money order payable to "Carbon Energy Limited" and crossed "Not Negotiable"

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/> .00

C Telephone Number – Business Hours Telephone Number – After Hours Contact Name

<input type="text"/>	<input type="text"/>	<input type="text"/>
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IMPORTANT INFORMATION

1. This is an important document which requires your immediate attention. If you are in any doubt as to how to deal with this Application Form, please consult a professional adviser.
2. If you do not wish to purchase additional Shares under this SPP, there is no need to take action.
3. Please ensure you have read and understood the SPP Terms and Conditions and this Important Information, before you make the Application Payment by BPAY® or you submit your Acceptance Slip with your Application Payment.
4. This SPP is non-renounceable. Applications can only be accepted in the name printed on the Application Form.
5. If you are a custodian, trustee or nominee within the definition of "custodian" in ASIC Class Order [CO 09/425] you must complete and submit an additional Schedule that contains additional certifications and details that must be provided ("the Schedule") before your Application will be received. The Schedule can be obtained by contacting the Carbon Energy Limited SPP Offer Information Line. Applications received by custodians that are not accompanied by the Schedule will be rejected.
6. For applicants that are not required to complete the Schedule, by submitting the Acceptance Slip (with a cheque, bank draft or money order) or making payment by BPAY®, you certify that the aggregate of the Application Payment paid by you for:
 - the parcel of New Shares indicated on this Application Form or BPAY® payment; and
 - any other Shares applied for by you, or which you have instructed a Custodian to acquire on your behalf under the SPP or any other similar arrangement in the 12 months prior to the date of submission of the Acceptance Slip or payment by BPAY® does not exceed A\$15,000.
7. Carbon Energy Limited reserves the right to make amendments to this Application Form where appropriate.
8. Applicants are not assured of receiving the Shares for which they have applied as Carbon Energy Limited may scaleback applications in its discretion.

SAMPLE

How to Lodge your Acceptance Slip and Application Payment

A reply paid envelope is enclosed for you to return your Acceptance Slip and Application Payment. No postage stamp is required if it is posted in Australia.

Acceptance Slip and the payment for New Shares must be received by the Registry no later than the closing date shown overleaf. If paying by BPAY® you do not need to complete or return the Application Form. You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry by the close of the offer.

Mailing Address

Carbon Energy Limited
C/- Link Market Services Limited
Locked Bag 3415
Brisbane QLD 4001

or

Hand Delivery

Carbon Energy Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138 **(Please do not use this address for mailing purposes)**

Make sure you send your Acceptance Slip and Application Payment allowing enough time for mail delivery, so Link Market Services Limited receives them no later than 5:00pm (Sydney time) on 23 October 2014. Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. Carbon Energy Limited reserves the right not to process any Acceptance Slips and Application Payments received after the Closing Date.

If you require information on how to complete this Acceptance Slip please contact the Carbon Energy Limited SPP Offer Information Line on 1300 970 086 if calling within Australia or +61 1300 970 086 if calling from outside of Australia.

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Carbon Energy Limited

ABN

56 057 552 137

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|---|
| 1 | +Class of +securities issued or to be issued | Ordinary fully paid shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 100,000,000 Ordinary fully paid shares |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Shares are issued on the same terms as existing ordinary fully paid shares. |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

<p>4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>The new shares will rank pari passu with existing shares on issue.</p>
<p>5 Issue price or consideration</p>	<p>\$0.05 per share.</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<ul style="list-style-type: none"> • the closing out of the Government's UCG decommissioning and rehabilitation review process; • commencement of development of the Blue Gum Gas Project; • the pursuit of an off-take and/or investment partner in the Blue Gum Gas Project; • further business development; • general working capital; and • offer costs.
<p>6a Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>Yes</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>21 November 2013</p>

+ See chapter 19 for defined terms.

6c	Number of +securities issued without security holder approval under rule 7.1	Nil													
6d	Number of +securities issued with security holder approval under rule 7.1A	Nil													
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Nil													
6f	Number of +securities issued under an exception in rule 7.2	100,000,000 ordinary fully paid shares													
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	Not applicable													
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	Not applicable													
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	274,241,121													
7	<p>+Issue dates</p> <p><small>Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.</small></p> <p><small>Cross reference: item 33 of Appendix 3B.</small></p>	31 October 2014													
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	<table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Number</th> <th style="text-align: left;">+Class</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1,371,556,041</td> <td>Ordinary fully paid shares</td> </tr> <tr> <td style="text-align: center;">443,708,404</td> <td>Listed options</td> </tr> </tbody> </table>	Number	+Class	1,371,556,041	Ordinary fully paid shares	443,708,404	Listed options	<table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Number</th> <th style="text-align: left;">+Class</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1,371,556,041</td> <td>Ordinary fully paid shares</td> </tr> <tr> <td style="text-align: center;">443,708,404</td> <td>Listed options</td> </tr> </tbody> </table>	Number	+Class	1,371,556,041	Ordinary fully paid shares	443,708,404	Listed options
Number	+Class														
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1,371,556,041	Ordinary fully paid shares														
443,708,404	Listed options														

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

	Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	<p>3,084,000, \$0.12 Options expiring 31 Dec 2015.</p> <p>10,000,000, \$1.00 Options with vesting date of 30 June 2012 expiring 10 Dec 2014.</p> <p>7,000,000, \$0.1678 Options (subject to adjustments as provided for under the Option Subscription Deed relating to Pro-rata issues, Bonus issues and reorganisations), expiring 18 January 2017.</p> <p>28,000,000, \$0.1678 Options (subject to adjustments as provided for under the Option Subscription Deed relating to Pro-rata issues, Bonus issues and reorganisations), expiring 25 February 2017.</p> <p>61,728,395, \$0.061 Options (subject to adjustments as provided for under the Credit Suisse Senior Secured Loan Facility Agreement), expiring 15 November 2015. Exercisable by cash settlement or physical settlement.</p> <p>9,645,845, \$0.061 Options (subject to adjustments as provided for under the Pacific Road Convertible Note Facility Agreement), expiring 15 November 2015.</p> <p>8,174,581 \$0.026 Options expiring 15 October 2016.</p> <p>33,333,333 \$0.06 Options expiring 30 June 2018.</p> <p>33,333,333 \$0.06 Options expiring 30 June 2019.</p>
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Not applicable

Part 2 - Pro rata issue

11	Is security holder approval required?	Not applicable
12	Is the issue renounceable or non-renounceable?	Not applicable
13	Ratio in which the +securities will be offered	Not applicable
14	+Class of +securities to which the offer relates	Not applicable

+ See chapter 19 for defined terms.

15	+Record date to determine entitlements	Not applicable
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not applicable
17	Policy for deciding entitlements in relation to fractions	Not applicable
18	Names of countries in which the entity has security holders who will not be sent new offer documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	Not applicable
19	Closing date for receipt of acceptances or renunciations	Not applicable

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

20	Names of any underwriters	Not applicable
21	Amount of any underwriting fee or commission	Not applicable
22	Names of any brokers to the issue	Not applicable
23	Fee or commission payable to the broker to the issue	Not applicable
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	Not applicable
25	If the issue is contingent on security holders' approval, the date of the meeting	Not applicable
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	Not applicable
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable
28	Date rights trading will begin (if applicable)	Not applicable
29	Date rights trading will end (if applicable)	Not applicable
30	How do security holders sell their entitlements <i>in full</i> through a broker?	Not applicable
31	How do security holders sell <i>part</i>	Not applicable

+ See chapter 19 for defined terms.

	of their entitlements through a broker and accept for the balance?	
32	How do security holders dispose of their entitlements (except by sale through a broker)?	Not applicable
33	+Issue date	Not applicable

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of +securities
(tick one)

(a) +Securities described in Part 1

(b) All other +securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories

1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

Entities that have ticked box 34(b)

38	Number of +securities for which +quotation is sought	Not applicable	
39	+Class of +securities for which quotation is sought	Not applicable	
40	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	Not applicable	
41	<p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another +security, clearly identify that other +security)</p>	Not applicable	
42	Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	Number	+Class
		Not applicable	

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here: _____
Company Secretary

Date: 7 October 2014

Print name: Tracy Bragg

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
<i>Step 1: Calculate “A”, the base figure from which the placement capacity is calculated</i>	
<i>Insert</i> number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	975,168,303
<i>Add</i> the following: <ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid +ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	15/10/13 – 171,818,615 Ordinary Shares (Shortfall) 20/11/13 – 89,626,993 Ordinary Shares (Shortfall) 06/12/13 – 3,704,382 Ordinary Shares (Approved at 2013 AGM) Total: 265,149,990
<i>Subtract</i> the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	1,240,318,293

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	186,047,744
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p><i>Insert</i> number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>15/10/13 – 3,944,370 Ordinary Shares</p> <p>15/10/13 – 4,600,704 Unlisted Options</p> <p>06/12/13 – 5,834,861 Ordinary Shares</p> <p>11/03/14 – 7,047,459 Ordinary Shares</p> <p>29/05/14 – 8,834,624 Ordinary Shares</p> <p>01/09/14 – 5,576,434 Ordinary Shares</p>
“C”	35,838,452
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	186,047,744
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	35,838,452
<p>Total [“A” x 0.15] – “C”</p>	<p>150,209,292</p> <p><i>[Note: this is the remaining placement capacity under rule 7.1]</i></p>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	1,240,318,293
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	124,031,829
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	Nil
“E”	Nil

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
<p>“A” x 0.10</p> <p><i>Note: number must be same as shown in Step 2</i></p>	<p>124,031,829</p>
<p>Subtract “E”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	<p>Nil</p>
<p>Total [“A” x 0.10] – “E”</p>	<p style="text-align: center;">124,031,829</p> <p style="text-align: center;"><i>Note: this is the remaining placement capacity under rule 7.1A</i></p>

+ See chapter 19 for defined terms.