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Carbon Energy Limited | ABN 56 057 552 137

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

ASX Announcement

1 December 2014

Appendix 3B and Section 708A Notice

The Company hereby provides notice to the ASX for the purpose of section 708A(5)(e) of the Corporations Act that it has issued:

- 2,838,455 ordinary fully paid shares in the Company to PRCM Nominees Pty Limited (563,716 shares) and Pacific Road Holdings NV (2,274,739 shares) which represent the interest payable in respect of the Convertible Note Facility Agreement between the Company, PRCM Nominees Pty Ltd and Pacific Road Holdings NV (announced to the market on 5 January 2012) in accordance with ASX Listing Rule 7.1; and

- 12,000 ordinary fully paid shares upon the valid exercise of 12,000 CNXO listed options in accordance with ASX Listing Rule 7.2,

without disclosure to investors under Part 6D.2 of the Corporations Act.

The Company states that as at the date of this notice:

- It has complied with the relevant provisions of Chapter 2M of the Corporations Act as they apply to the Company and section 674 of the Corporations Act; and

- It is not aware of any excluded information within the meaning of Sections 708A(7) and 708A(8) of the Corporations Act.

In addition, the Company has issued 5,541,564 unlisted options with an exercise price of $0.0301 and an expiry date of 25 August 2017 to Mr Morné Engelbrecht as approved at the AGM on 20 November 2014.

An Appendix 3B with respect to the issue of the abovementioned securities is also lodged by the Company with the ASX today and attached to this notice.

For and on behalf of the Board.

Tracy Bragg
General Counsel & Company Secretary

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

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	Pacific Road Interest Payment: 2,838,455 ordinary fully paid shares Exercise of Listed Options: 12,000 ordinary fully paid shares CEO Short Term Incentive: 5,541,564 unlisted options **Total:** 8,392,019
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. Unlisted options have an exercise price of $0.0301 and an expiry date of 25 August 2017.

+ See chapter 19 for defined terms.

4	Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities? If the additional +securities do not rank equally, please state: • 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	The new shares will rank pari passu with existing shares on issue. Not applicable to the unlisted options.
5	Issue price or consideration	Pacific Road Interest Payment: deemed value of $0.0444 per share Exercise of Listed Options: $0.06 per share The Unlisted Options are issued for nil cash consideration.
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Pacific Road Interest Payment: Issue of 2,838,455 ordinary shares under the $10 million Pacific Road Convertible Note Facility Agreement to cover the interest costs, payable 3 months in arrears, in relation to the Facility. These shares are issued in accordance with ASX Listing Rule 7.1. Exercise of Listed Options: Issue of shares on valid exercise of 12,000 Listed Options. These shares are issued in accordance with ASX Listing Rule 7.2. Unlisted Options: Issued to the CEO for the achievement of Key Performance Indicators relating to the 2013-2014 Financial Year, approved by shareholders at the Annual General Meeting on 20 November 2014.

6a	Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h *in relation to the +securities the subject of this Appendix 3B*, and comply with section 6i	Yes
6b	The date the security holder resolution under rule 7.1A was passed	20 November 2014
6c	Number of +securities issued without security holder approval under rule 7.1	2,838,455
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)	5,541,564 (approved at AGM on 20 November 2014)
6f	Number of +securities issued under an exception in rule 7.2	12,000 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	306,391,608

+ See chapter 19 for defined terms.

7	+Issue dates 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. Cross reference: item 33 of Appendix 3B.	1 December 2014

		Number	+Class
8	Number and +class of all +securities quoted on ASX (*including* the +securities in section 2 if applicable)	1,336,536,770 443,694,404	Ordinary fully paid shares Listed options

		Number	+Class
9	Number and +class of all +securities not quoted on ASX (*including* the +securities in section 2 if applicable)	3,084,000, $0.12 Options expiring 31 Dec 2015. 10,000,000, $1.00 Options with vesting date of 30 June 2012 expiring 10 Dec 2014. 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. 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. 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. 9,645,845, $0.061 Options (subject to adjustments as provided for under the Pacific Road Convertible Note Facility Agreement), expiring 15 November 2015. 7,081,738 $0.026 Options expiring 15 October 2016. 9,495,080 $0.0301 Options expiring on 25 August 2017. 33,333,333 $0.06 Options expiring 30 June 2018. 33,333,333 $0.06 Options expiring 30 June 2019.	

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Not applicable

+ See chapter 19 for defined terms.

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
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 Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	Not applicable
19	Closing date for receipt of acceptances or renunciations	Not applicable

+ See chapter 19 for defined terms.

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 *in full* through a broker?	Not applicable
31	How do security holders sell *part*	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.

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	Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities? If the additional +securities do not rank equally, please state: • 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	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another +security, clearly identify that other +security)	Not applicable

42 Number and +class of all +securities quoted on ASX (*including* the +securities in clause 38)

Number	+Class
Not applicable	

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: ______________________ Date: 1 December 2014
Company Secretary

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	
Step 1: Calculate "A", the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	**1,240,558,281**
Add the following: • 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 *Note:* • *Include only ordinary securities here – other classes of equity securities cannot be added* • *Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed* • *It may be useful to set out issues of securities on different dates as separate line items*	06/12/13 – 3,704,382 Ordinary Shares (Approved at 2013 AGM) 06/12/13 – 5,834,861 Ordinary Shares (Ratified at 2014 AGM) 11/03/14 – 7,047,459 Ordinary Shares (Ratified at 2014 AGM) 29/05/14 – 8,834,624 Ordinary Shares (Ratified at 2014 AGM) 01/09/14 – 5,576,434 Ordinary Shares (Ratified at 2014 AGM) 16/10/14 – 1,750,730 Ordinary Shares (exercise of unlisted options) 31/10/14 – 49,144,305 Ordinary Shares (Share Purchase Plan) 31/10/14 – 2,000 Ordinary Shares (exercise of listed options) 01/12/14 – 12,000 Ordinary Shares (exercise of listed options) **Total: 81,906,795**
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
"A"	**1,322,465,076**

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of "A"	
"B"	0.15 *[Note: this value cannot be changed]*
Multiply "A" by 0.15	**198,369,761**
Step 3: Calculate "C", the amount of placement capacity under rule 7.1 that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period *not counting* those issued: • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 *Note:* • *This applies to equity securities, unless specifically excluded – not just ordinary securities* • *Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed* • *It may be useful to set out issues of securities on different dates as separate line items*	15/10/14 – 10,033,239 Ordinary Shares 15/10/14 – 4,611,403 Unlisted Options 31/10/14 – 1,200,000 Ordinary Shares 01/12/14 – 2,838,455 Ordinary Shares 01/12/14 – 5,541,564 Unlisted Options
"C"	24,224,661
Step 4: Subtract "C" from ["A" x "B"] to calculate remaining placement capacity under rule 7.1	
"A" x 0.15 *Note: number must be same as shown in Step 2*	198,369,761
Subtract "C" *Note: number must be same as shown in Step 3*	24,224,661
Total ["A" x 0.15] – "C"	174,145,100 *[Note: this is the remaining placement capacity under rule 7.1]*

+ 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" *Note: number must be same as shown in Step 1 of Part 1*	1,322,465,076
Step 2: Calculate 10% of "A"	
"D"	0.10 *Note: this value cannot be changed*
Multiply "A" by 0.10	132,246,507
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 *Notes:* • *This applies to equity securities – not just ordinary securities* • *Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed* • *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* • *It may be useful to set out issues of securities on different dates as separate line items*	Nil
"E"	Nil

Step 4: Subtract "E" from ["A" x "D"] to calculate remaining placement capacity under rule 7.1A	
"A" x 0.10 *Note: number must be same as shown in Step 2*	132,246,507
Subtract "E" *Note: number must be same as shown in Step 3*	Nil
Total ["A" x 0.10] – "E"	132,246,507 *Note: this is the remaining placement capacity under rule 7.1A*