



carbonenergy

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Carbon Energy Limited

ABN 56 057 552 137

Carbon Energy (Operations) Pty Ltd

ABN 61 105 176 967

ASX / Media Announcement

11 March 2016

Not for release in the United States

Entitlement Offer cleansing notice under section 708AA(2)(f) Corporations Act – Carbon Energy Limited (ASX Code: CNX)

Carbon Energy Limited (**Carbon Energy or Company**) announced on 11 March 2016 that it will undertake a 3 for 11 pro rata renounceable entitlement offer of fully paid ordinary shares in Carbon Energy at an issue price of \$0.013 (**New Shares**) to raise approximately \$5,300,000 (**Entitlement Offer**).

The Entitlement Offer is partially underwritten to \$1,800,000 by APP Securities Pty Ltd (**Underwriter**) with the major shareholder (and related party) Kam Lung Investment Development Co. Ltd (**Kam Lung**) providing sub-underwriting support.

The offer price for the Entitlement Offer will be \$0.013 per New Share (**Offer Price**).

Under the Entitlement Offer, eligible shareholders will be able to subscribe for 3 New Shares in the Company for every 11 existing ordinary shares held at 7.00pm (AEDT) on 17 March 2016 (**Record Date**) at the Offer Price (**Entitlement**).

Carbon Energy will offer the New Shares for issue without disclosure to investors under section 708AA(2)(f) *Corporations Act 2001* (Cth) (**Corporations Act**) as notionally modified by ASIC Class Order 08/35 (**CO 08/35**).

Further details of the Entitlement Offer are set out in the Information Booklet and Investor Presentation that has been lodged with ASX today. The Information Booklet will be dispatched to eligible shareholders on or about 22 March 2016.

Details of the securities issued

Class of securities:	Ordinary shares
ASX Code of the securities:	CNX
Date of the issue or expected issue of the securities:	11 April 2016
Total number of securities expected to be issued (subject to rounding of fractional entitlements):	407,877,323 New Shares

For the purposes of section 708AA(7) Corporations Act, Carbon Energy advises:

1. the New Shares will be issued without disclosure under part 6D.2 Corporations Act as notionally modified by CO 08/35;
2. this notice is given under section 708AA(2)(f) Corporations Act as notionally modified by CO 08/35;
3. as at the date of this notice, Carbon Energy has complied with:
 - (a) the provisions of chapter 2M Corporations Act as they apply to Carbon Energy; and
 - (b) section 674 Corporations Act;
4. as at the date of this notice, there is no excluded information of the type referred to in sections 708AA(8) and 708AA(9) Corporations Act as notionally modified by CO 08/35;
5. the issue of New Shares under the Entitlement Offer is expected to have an impact on the control of Carbon Energy, but is dependent on a number of factors including investor demand; and
6. given the structure of the Entitlement Offer as a pro rata offer, the potential effect that the issue of the New Shares will have on the control of Carbon Energy is as follows:
 - (a) if the Entitlement Offer is fully subscribed, any shareholder that does not acquire New Shares will be diluted;
 - (b) if all shareholders take up their Entitlement (including Kam Lung and all ineligible shareholders Entitlements traded on ASX), there will be no effect on control and Kam Lung will continue to hold 19.77% of the shares in the Company;
 - (c) if Kam Lung does not take up any of its Entitlement but is required to apply for New Shares for the full sub-underwriting amount of \$1,800,000, and no other eligible shareholder takes up their Entitlement, Kam Lung's voting power will increase from 19.77% to 26.56%;
 - (d) if Kam Lung takes up its full Entitlement and is required to sub-underwrite the maximum of \$1,800,000, and no other eligible shareholder takes up their Entitlement, Kam Lung's voting power will increase from 19.77% to 30.02%;
 - (e) if Kam Lung takes up its full Entitlement, sub-underwrites the maximum of \$1,800,000 and exercises its options, and no other eligible shareholder takes up their Entitlement, Kam Lung's voting power will increase from 19.77% to 36.39%;
 - (f) if Kam Lung's voting power increases to 25% or more, shareholders should be aware that this will provide Kam Lung with an ability to block any special resolution

proposed by the Company (including in connection with any scheme of arrangement) unless Kam Lung is excluded from the vote; and

- (g) if Kam Lung's voting power increases, particularly if it increases to 30.02%, depending on voting participation by other shareholders, Kam Lung may have an ability to pass or block an ordinary resolution of shareholders. At the Company's annual general meeting in 2015, the maximum number of votes cast on any resolution represented 43.31% of the shares. If that level of participation or similar continues, Kam Lung would have an ability to determine the outcome of an ordinary resolution, unless Kam Lung is excluded from the vote.

Signed for and on behalf of Carbon Energy:

Catherine Costello

Chief Financial Officer & Company Secretary
Carbon Energy Limited

This announcement has been prepared for release in Australia. It does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States nor any other jurisdiction. The securities in the Rights Issue have not been, and will not be, registered under the US Securities Act of 1933 or any state securities laws and, accordingly, may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws.

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 | 407,933,087 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>\$0.013 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"> • pursuing International and Australian business development opportunities; • progressing the activities of the work plan for the Company's mineral development licence (MDL374), that include the continuation of the Company's ground water monitoring program under its Environmental Authority which form part of its Rehabilitation Plan for the trial site near Dalby, in South East Queensland; • meeting general working capital requirements; and • paying 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>30 November 2015</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	407,933,087 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	353,074,973	
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.	11 April 2016	
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	Number	+Class
		1,903,687,740	Ordinary fully paid shares
		443,696,404	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>7,081,738 \$0.026 Options expiring 15 October 2016.</p> <p>7,000,000, \$0.1672 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, \$0.1672 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>9,495,080 \$0.0301 Options expiring on 25 August 2017.</p> <p>33,333,333 \$0.0594 Options expiring 30 June 2019.</p> <p>7,500,000 Performance Rights expiring on 30 June 2019</p>
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?	No
12	Is the issue renounceable or non-renounceable?	Renounceable
13	Ratio in which the +securities will be offered	3 new securities for every 11 held
14	+Class of +securities to which the offer relates	Ordinary fully paid
15	+Record date to determine entitlements	17 March 2016
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	No
17	Policy for deciding entitlements in relation to fractions	Round down
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>	Belgium, Cambodia, Germany, Ireland, Japan, Lao People's Democratic Republic, Malaysia, Netherlands, Papua New Guinea, Republic of Slovakia, Singapore, Switzerland, Taiwan, Thailand, United Arab Emirates, United Kingdom and the United States of America
19	Closing date for receipt of acceptances or renunciations	4 April 2016

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

20	Names of any underwriters	APP Securities Pty Ltd
21	Amount of any underwriting fee or commission	2% of the gross proceeds of the amount underwritten plus a management fee of \$70,000, offset by \$25,000 for corporate services previously provided.
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	Nil
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	On or around 22 March 2016
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	11 March 2016
28	Date rights trading will begin (if applicable)	16 March 2016
29	Date rights trading will end (if applicable)	24 March 2016
30	How do security holders sell their entitlements <i>in full</i> through a broker?	If you wish to sell all of your Rights through your stockbroker you should contact your stockbroker and provide details as requested.

+ See chapter 19 for defined terms.

	<p>You should complete the “Sale of your Rights in full by your Stockbroker/Agent” panel contained within the form and forward your Entitlement and Acceptance Form to your stockbroker.</p>
<p>31 How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?</p>	<p>If a security holder takes up part of their entitlement, the balance will lapse. Security holders may transfer all or part of their entitlement to another person or party other than on-market using ASX by forwarding to the Company’s Share Registry:</p> <p>(a) a completed standard renunciation form (obtainable from the security holder’s stockbroker or the Company’s Share Registry);</p> <p>(b) an Entitlement and Acceptance Form completed by the transferee; and</p> <p>(c) the transferee’s cheque for the amount due in respect of the new shares made payable to “Carbon Energy Limited – Entitlement Issue” and crossed ‘non-negotiable’,</p> <p>by no later than 5:00pm (AEDT) on 24 March 2016.</p>
<p>32 How do security holders dispose of their entitlements (except by sale through a broker)?</p>	<p>Shareholders can transfer all or part of their entitlement to another person by completing a standard renunciation form obtainable from Carbon Energy Limited’s share registry or their stockbroker and forwarding the entitlement and acceptance form completed by the transferee with the cheque for the full amount to Carbon Energy Limited.</p>
<p>33 ⁺Issue date</p>	<p>11 April 2016</p>

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

⁺ See chapter 19 for defined terms.

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	<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: 11 March 2016

Print name: Catherine Costello

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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	1,340,806,885
Add 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"> 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 	02/06/15 – 4,935,944 Ordinary Shares (Approved at 2015 AGM) 28/05/15 – 9,475,744 Ordinary Shares (Approved at 2015 AGM) 7/10/15 – 123,845,128 Ordinary Shares (Approved at 2015 AGM) Total: 138,256,816
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	1,479,063,701

Step 2: Calculate 15% of “A”	
“B”	0.15

+ See chapter 19 for defined terms.

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	<i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	221,859,555
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert 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>02/12/15 – 8,875,169 Ordinary Shares</p> <p>01/03/16 – 7,815,783 Ordinary Shares</p>
“C”	16,690,952
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>	221,859,555
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	16,690,952
Total [“A” x 0.15] – “C”	<p>205,168,603</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>	1,479,063,701
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	147,906,370
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: <ul style="list-style-type: none"> • 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

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	147,906,370
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	Nil
Total [“A” x 0.10] – “E”	147,906,370 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.