



carbonenergy

Carbon Energy Limited | ABN 56 057 552 137

ASX Announcement

11 March 2016

Not for release in the United States

Dear Sir/Madam

Carbon Energy Limited – Notice to Option Holder

Notice is given that the Company intends to undertake a renounceable rights issue to Eligible Shareholders to raise up to approximately \$5.3 million based on Carbon Energy's undiluted share capital (**Rights Issue**). The Rights Issue is made on the basis of 3 new fully paid ordinary shares for every 11 shares held with an issue price of \$0.013 per share (**New Shares**). Assuming no existing options on issue in the Company are exercised (or the Company's convertible note facility is not converted) approximately 407,877,323 New Shares will be offered under the Rights Issue.

The proceeds of the Rights Issue will be used for the following purposes:

- 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.

Your options do not entitle you to participate in the Rights Issue.

As an Option Holder, you are permitted to participate in the issue of New Securities under the Rights Issue **only** in the event that you:

- (a) have exercised your existing options and are on the Company's register prior to the record date selected by the Company for determining entitlements to participate in the Rights Issue, being 7:00pm (AEST) on 17 March 2016 (**Record Date**); and
- (b) have a registered address on the Carbon Energy share register in Australia, New Zealand, Hong Kong, China (and, in respect of China, is a 'qualified domestic institutional investor') (**Eligible Shareholders**).

Accordingly, if you wish for some or all of the shares underlying your options to be counted as part of your entitlement under the Rights Issue, you will need to exercise that portion of your vested and exercisable options for which you wish to participate and pay the exercise price for them so that those shares are issued to you before the Record Date.

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www.carbonenergy.com.au

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

Please contact our share registry if you wish to exercise your options. The share registry details are:

By post

Carbon Energy Limited
C/- Link Market Services Limited
GPO Box 3560
Sydney NSW 2001

By hand delivery (not to be used if mailing)

Carbon Energy Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

If you chose to participate in the Rights Issue by exercising some or all of your options prior to the Record Date, you will be sent an information booklet and personalised entitlement and acceptance form (provided you are an Eligible Shareholder) containing important information about the Rights Issue. The information booklet to be issued to Eligible Shareholders was lodged with ASX on 11 March 2016 and is available on the Company's website www.carbonenergy.com.au and the ASX website.

ENDS

For and on behalf of the Board

Catherine Costello

Chief Financial Officer & Company Secretary

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.