



carbonenergy

Carbon Energy Limited | ABN 56 057 552 137

## ASX Announcement

15 March 2016

*Not for release in the United States*

Dear Shareholder

### Carbon Energy Limited – Renounceable Rights Issue Notice to security holders

On 11 March 2016, Carbon Energy Limited ACN 057 552 137 (**Carbon Energy**) announced a renounceable rights issue to Eligible Shareholders (defined below) to raise approximately \$5.3 million (before costs) (**Rights Issue**).

Funds raised under the Rights Issue will be used for:

- 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 comprehensive Rehabilitation Plan for the UCG trial site near Dalby, in South East Queensland;
- meeting general working capital requirements; and
- paying offer costs.

The Rights Issue is partially underwritten to \$1.8 million by APP Securities Pty Ltd (**Underwriter**). It is also partially sub-underwritten to \$1.8 million by Kam Lung Development Company Limited, a major shareholder and a related party of Carbon Energy.

### Summary of key terms of the Rights Issue and eligibility

Under the Rights Issue, Eligible Shareholders (defined below) will be invited to subscribe for 3 new fully paid ordinary shares for every 11 shares held (**New Shares**) at 7.00pm AEDT on 17 March 2016 (**Record Date**) for an issue price of \$0.013 (1.3 cents) per share (**Entitlement**). New Shares issued under the Rights Issue will rank equally with all shares on issue.

The Rights Issue is available to all registered shareholders who hold shares at the Record Date with registered addresses in Australia, New Zealand, Hong Kong, China (and, in respect of China, is a 'qualified domestic institutional investor') (**Eligible Shareholders**). Eligible Shareholders will be entitled to apply for any shortfall under a top-up facility after subscribing for their full entitlement to New Shares.

The Rights Issue is being made by Carbon Energy without a disclosure document or product disclosure statement under section 708AA *Corporations Act* (Cth) (**Corporations Act**) (as notionally modified by ASIC Class Order 08/35).

If you are not an Eligible Shareholder you cannot participate in the Rights Issue. Carbon Energy will notify those shareholders who are not Eligible Shareholders.

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

Carbon Energy encourages all Eligible Shareholders to participate in the Rights Issue.

### Further details about the Rights Issue

The Rights Issue is renounceable and Entitlements may be traded on ASX, or transferred to another person or persons other than on-market via ASX. Further details on how to trade or otherwise transfer Entitlements will be set out in the information booklet (referred to below).

Fractional Entitlements will be rounded down to the nearest whole number of New Shares.

Shareholder approval is not required for Carbon Energy to make the offer under the Rights Issue.

### Information booklet

On 22 March 2016, you will be sent an information booklet and personalised Entitlement and acceptance form which contains important information about the Rights Issue and sets out the number of New Shares you are entitled to purchase under the Rights Issue. A copy of the information booklet is available on the Carbon Energy website [www.carbonenergy.com.au](http://www.carbonenergy.com.au) and the ASX website.

### Key dates

A proposed timetable for the Rights Issue is set out in the table below:

Activity	Date
Announcement of the Entitlement Offer	11 March 2016
Ex date	16 March 2016
Record Date for Entitlement Offer (7.00pm AEDT)	17 March 2016
Information Booklet and Entitlement and Acceptance Form despatched	22 March 2016
Entitlement Offer opens	22 March 2016
Entitlement trading begins	16 March 2016
Entitlements trading ends (5.00pm AEDT)	24 March 2016
New Shares quoted on a deferred settlement basis	29 March 2016
Closing date for acceptances under Entitlement Offer (5.00pm AEST)	4 April 2016
Announcement of results of Entitlement Offer and under-subscriptions	7 April 2016
Settlement of New Shares under the Entitlement Offer	11 April 2016
Allotment of New Shares issued under the Entitlement Offer	11 April 2016
Normal ASX trading for New Shares issued under the Entitlement Offer commences	13 April 2016
Anticipated despatch of holding statements for New Shares issued under the Entitlement Offer	14 April 2016

This timetable is indicative only and may change subject to the requirements of the Corporations Act and the ASX Listing Rules. The Directors may vary the dates, in consultation with the Underwriter. The directors of Carbon Energy also reserve the right not to proceed with the whole or part of the Rights Issue any time before the allotment and issue of New Shares. In that event, the relevant application monies (without interest) will be returned in full to applicants.

## Capital Structure

The capital structure of Carbon Energy following the issue of New Shares, assuming the maximum number of New Shares is issued under the Rights Issue, will be as follows:

Shares on issue as at 11 March 2016 (announcement of the Rights Issue)	1,495,754,653
Approximate New Shares to be issued under the Rights Issue	407,933,087
Approximate total number of shares on issue after the Rights Issue	1,903,687,740

The above figures assume that no existing options over Carbon Energy Shares will be exercised prior to the Record Date. There are 495,273,222 existing exercisable options, comprising:

- 443,696,404 options with an exercise price of 5.94<sup>1</sup> cents which expire on 31 July 2016;
- 7,081,738 options with an exercise price of 2.6 cents which expire on 15 October 2016;
- 7,000,000 options with an exercise price of 16.72<sup>1</sup> cents which expire on 18 January 2017;
- 28,000,000 options with an exercise price of 16.72<sup>1</sup> cents which expire on 25 February 2017; and
- 9,495,080 options with an exercise price of 3.01 cents which expire on 25 August 2017.

<sup>1</sup> Repriced in accordance with terms and conditions attached to the option

In addition, the Pacific Road Group has the right under terms of its Convertible Loan Facility for \$10,000,000 to convert all of that facility to shares. Having regard to the exercise price of the Existing Options and the Offer Price, the Directors believe that it is unlikely that any existing options or the Pacific Road Convertible Loan Facility will be exercised or converted before the Record Date. Shareholders should note that the Convertible Loan Facility has a repricing condition for the exercise price. Should the Entitlement Offer be fully subscribed the conversion price may fall from \$0.14 to \$0.134.

**Further information**

For further, information, telephone 1300 761 372 (inside Australia) and +61 1300 761 372 (outside Australia) between 8.30am and 5.00pm (AEDT, until 3 April 2016, then AEST).

**ENDS****For and 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.*