



carbonenergy

Carbon Energy Limited | ABN 56 057 552 137

Level 9, 301 Coronation Drive,
Milton QLD 4064 Australia
PO Box 2118, Toowong DC
QLD 4066 Australia

phone + 61 (0) 7 3156 7777

fax + 61 (0) 7 3156 7776

Carbon Energy (Operations) Pty Ltd
ABN 61 105 176 967

ASX Announcement

22 March 2016

Not for release in the United States

Dear Shareholder

Carbon Energy Limited – Renounceable Rights Issue Notice to Ineligible 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 (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 fully paid ordinary shares held with an issue price of \$0.013 (1.3 cents) per share (**New Shares**). The Rights Issue is partially underwritten (to \$1,800,000) by APP Securities Pty Ltd.

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.

Eligibility of shareholders to participate in the Rights Issue

In accordance with the ASX Listing Rules, Carbon Energy has considered the number of shareholders with registered addresses outside of Australia, New Zealand, China and Hong Kong and the size of the shareholdings held by those shareholders. Taking this into consideration, as well as the costs of complying with the legal requirements and the requirements of the regulatory authorities relating to the shareholders with registered addresses outside of those countries (and feedback received from Carbon Energy's only shareholder in Belgium), Carbon Energy has formed the view that it is unreasonable to extend the Rights Issue to shareholders outside those countries. On that basis, an 'Eligible Shareholder' for the Rights Issue will be a holder of shares in Carbon Energy at 7.00pm on 17 March 2016 who:

- has a registered address on the Carbon Energy share register in Australia, New Zealand, Hong Kong or China (and in respect of China, is a 'qualified domestic institutional

investor') or is a shareholder that Carbon Energy has otherwise determined is eligible to participate; and

- is eligible under all applicable securities laws to receive an offer under the Rights Issue without any requirement for a prospectus to be lodged or registered.

As you do not satisfy the criteria for eligibility set out above, Carbon Energy is unfortunately unable to extend the Rights Issue offer to you.

The purpose of this letter is to inform you that Carbon Energy has determined that you are not an 'Eligible Shareholders' and are therefore ineligible to apply for New Shares under the Rights Issue. New Shares equivalent to the number of New Shares you would have been entitled to if you were eligible may be allocated to Eligible Shareholders under the top up facility or otherwise in accordance with the underwriting agreement.

Carbon Energy has appointed Pershing Australia Nominees Pty Ltd ACN 137 911 730 as authorised representative of Pershing Securities Australia Pty Ltd ACN 136 184 962 to act as nominee for ineligible shareholders (**Nominee**) to arrange for the sale of the rights which would have been offered to them. The Nominee will arrange for the net proceeds (if any) from the sale of the entitlements to be sent proportionally to each ineligible shareholder.

Further information

Please contact the Shareholder Information line on 1300 761 372 (toll free within Australia) or +61 1300 761 372 (outside Australia) if you have any queries regarding the Rights Issue or your eligibility to participate in the Rights Issue.

Yours faithfully

Catherine Costello

Chief Financial Officer & Company Secretary
Carbon Energy Limited

This letter 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.