

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 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

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 | FULLY PAID ORDINARY SHARES |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 4,000,000 Ordinary Shares |
| 3 | Principal terms of the +securities (eg, 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) | Fully Paid Ordinary Shares |

+ See chapter 19 for defined terms.

4	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?	Yes				
	<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 					
5	Issue price or consideration	Director Options were converted at 20 cents per share.				
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	4,000,000 Fully Paid Ordinary Shares issued upon exercise of Unlisted Director Options.				
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	16 March 2010				
8	Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)	<table border="1"> <thead> <tr> <th data-bbox="772 1249 954 1294">Number</th> <th data-bbox="954 1249 1388 1294">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="772 1294 954 1352">589,997,650</td> <td data-bbox="954 1294 1388 1352">Ordinary Shares</td> </tr> </tbody> </table>	Number	+Class	589,997,650	Ordinary Shares
Number	+Class					
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+ See chapter 19 for defined terms.

9	Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	<table border="1"> <thead> <tr> <th data-bbox="837 185 1029 224">Number</th> <th data-bbox="1029 185 1458 224">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="837 224 1029 257">4,500,000</td> <td data-bbox="1029 224 1458 257">20c Options expire 31/03/10</td> </tr> <tr> <td data-bbox="837 257 1029 291">250,000</td> <td data-bbox="1029 257 1458 291">20c Options expire 31/10/10</td> </tr> <tr> <td data-bbox="837 291 1029 324">125,000</td> <td data-bbox="1029 291 1458 324">20c Options expire 1/01/11</td> </tr> <tr> <td data-bbox="837 324 1029 392">100,000</td> <td data-bbox="1029 324 1458 392">25c Options vest 30/06/10 expire 01/04/12</td> </tr> <tr> <td data-bbox="837 392 1029 425">500,000</td> <td data-bbox="1029 392 1458 425">30c Options expire 30/06/11</td> </tr> <tr> <td data-bbox="837 425 1029 481">335,000</td> <td data-bbox="1029 425 1458 481">40c Options vest 30/06/10 expire 01/04/12</td> </tr> <tr> <td data-bbox="837 481 1029 515">1,000,000</td> <td data-bbox="1029 481 1458 515">60c Options expire 30/06/11</td> </tr> <tr> <td data-bbox="837 515 1029 548">5,000,000</td> <td data-bbox="1029 515 1458 548">25c Options expire 10/12/13</td> </tr> <tr> <td data-bbox="837 548 1029 604">7,000,000</td> <td data-bbox="1029 548 1458 604">35c Options vest* 30/06/10 expire 10/12/13</td> </tr> <tr> <td data-bbox="837 604 1029 660">8,000,000</td> <td data-bbox="1029 604 1458 660">70c Options vest* 30/06/11 expire 10/12/13</td> </tr> <tr> <td data-bbox="837 660 1029 728">10,000,000</td> <td data-bbox="1029 660 1458 728">\$1.00 Options vest* 30/06/12 expire 10/12/14</td> </tr> <tr> <td data-bbox="837 728 1029 761">7,250,000</td> <td data-bbox="1029 728 1458 761">80c Options expire 10/12/13</td> </tr> <tr> <td data-bbox="837 761 1029 817">2,750,000</td> <td data-bbox="1029 761 1458 817">\$1.20 Options vest* 30/06/10 expire 10/12/13</td> </tr> <tr> <td data-bbox="837 817 1029 873">2,750,000</td> <td data-bbox="1029 817 1458 873">\$1.60 Options vest* 30/06/11 expire 10/12/13</td> </tr> <tr> <td data-bbox="837 873 1029 929">2,000,000</td> <td data-bbox="1029 873 1458 929">\$1.20 Options vest* 31/10/10 expire 10/12/13</td> </tr> <tr> <td data-bbox="837 929 1029 996">2,000,000</td> <td data-bbox="1029 929 1458 996">\$1.60 Options vest* 31/10/11 expire 10/12/13</td> </tr> <tr> <td colspan="2" data-bbox="837 996 1458 1086">* Must also achieve Performance Benchmarks to vest</td> </tr> </tbody> </table>	Number	+Class	4,500,000	20c Options expire 31/03/10	250,000	20c Options expire 31/10/10	125,000	20c Options expire 1/01/11	100,000	25c Options vest 30/06/10 expire 01/04/12	500,000	30c Options expire 30/06/11	335,000	40c Options vest 30/06/10 expire 01/04/12	1,000,000	60c Options expire 30/06/11	5,000,000	25c Options expire 10/12/13	7,000,000	35c Options vest* 30/06/10 expire 10/12/13	8,000,000	70c Options vest* 30/06/11 expire 10/12/13	10,000,000	\$1.00 Options vest* 30/06/12 expire 10/12/14	7,250,000	80c Options expire 10/12/13	2,750,000	\$1.20 Options vest* 30/06/10 expire 10/12/13	2,750,000	\$1.60 Options vest* 30/06/11 expire 10/12/13	2,000,000	\$1.20 Options vest* 31/10/10 expire 10/12/13	2,000,000	\$1.60 Options vest* 31/10/11 expire 10/12/13	* Must also achieve Performance Benchmarks to vest	
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10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A																																				

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Part 2 - Bonus issue or pro rata issue

11 – 33 N/A

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 (a)

(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

35 – 42 – N/A

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.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided 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.

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- 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 not available now, 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: ...16 March 2010.....

Print name:Prem Nair.....

+ See chapter 19 for defined terms.