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Carbon Energy Limited  
ABN 56 057 552 137

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

# ASX Announcement

23 January 2012

## Appendix 3B and Section 708 Notice

The Company hereby provides notice to the ASX for the purpose of section 708A(5)(e) of the *Corporations Act* that it has issued 833,333 ordinary fully paid shares in the Company to Pacific Road Capital Management Pty Ltd. which represent the transaction fee in respect of the Tranche A advance payable under the Convertible Facility Agreement between the Company, PRCM Nominees Pty Ltd and Pacific Road Holdings (announced to the market on 5 January 2012) without disclosure to investors under Part 6D.2 of the *Corporations Act*.

This is in accordance with shareholder approval obtained at the AGM on 24 Nov 2011.

The Company states that as at the date of this notice:

- It has complied with the relevant provisions of Chapter 2M of the *Corporations Act* as they apply to the Company and section 674 of the *Corporations Act*; and
- It is not aware of any excluded information with the meaning of Sections 708A(7) and 708A(8) of the *Corporations Act*.

An Appendix 3B with respect to the issue of the ordinary fully paid shares is also lodged by the Company with the ASX today and attached to this notice.

**ENDS**

For and on behalf of the Board

Morné Engelbrecht  
CFO & Company Secretary

## **About Carbon Energy Ltd.**

Carbon Energy is a world leader in advanced coal technology. The Company's business is transforming stranded coal resources into high-value fuels with lower carbon emissions to meet the increasing global demand for new, low cost, alternative energy sources.

Carbon Energy is headquartered in Brisbane, Australia and listed on the Australian Securities Exchange (ASX). The Company also has an office in New York and is quoted on OTCQX International (CNXAY).

The Company's proprietary technology, keyseam® is an innovation in underground coal gasification (UCG), incorporating a unique site selection methodology and advanced geological and hydrological modelling. Keyseam® maximizes resource efficiency, extracting up to 20 times more energy from the same resource than coal seam gas, while minimizing surface disturbance and preserving groundwater quality.

Carbon Energy's technological advantage comes from its association with Australia's premier research agency, CSIRO, which includes world-class geotechnical, hydrological and gasification modelling capabilities.

Carbon Energy is building an international portfolio of coal assets suitable for keyseam® and accessible to high-value markets. The Company has resources and rights to coal assets in projects across Australia, Chile, United States and Turkey.

# 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, 24/10/2005.

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  | 833,333 Ordinary Fully Paid 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) | The Shares have the same terms as existing Carbon Energy ordinary fully paid shares. |

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+ See chapter 19 for defined terms.

**Appendix 3B**  
**New issue announcement**

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<p>4 Do the +securities rank equally in all respects from the date of allotment 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"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	<p>Yes</p>				
<p>5 Issue price or consideration</p>	<p>12 cents</p>				
<p>6 Purpose of the issue          (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Issue of 833,333 Ordinary Shares under the \$10 million Pacific Road Convertible Note Facility Agreement to cover the costs of the Placement Fee relating to the drawdown of Tranche A of the Facility. This is in accordance with shareholder approval obtained at the AGM on 24 Nov 2011.</p>				
<p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p>	<p>18 January 2012</p>				
<p>8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Number</th> <th style="width: 50%;">+Class</th> </tr> </thead> <tbody> <tr> <td style="text-align: center; vertical-align: middle;">768,960,293</td> <td style="text-align: center; vertical-align: middle;">Ordinary Fully Paid Shares</td> </tr> </tbody> </table>	Number	+Class	768,960,293	Ordinary Fully Paid Shares
Number	+Class				
768,960,293	Ordinary Fully Paid Shares				

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+ See chapter 19 for defined terms.

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	100,000	25c Options expiring 1 April 2012
	196,000	40c Options expiring 1 April 2012
	5,000,000	25c Options expiring 10 Dec 2013
	1,400,000	35c Options expiring 10 Dec 2013
	5,600,000	70c Options expiring 10 Dec 2013
	5,250,000	80c Options expiring 10 Dec 2013
	875,000	\$1.20 Options expiring 10 Dec 2013
	1,750,000	\$1.60 Options expiring 10 Dec 2013
	2,000,000	80c Options expiring 10 Dec 2013
	10,000,000	\$1.00 Options with vesting date of 30 June 2012* expiring 10 Dec 2014
* Must achieve certain Performance Benchmarks to vest		
10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Not applicable	

## Part 2 - Bonus issue or pro rata issue

11 Is security holder approval required?	Not applicable
12 Is the issue renounceable or non-renounceable?	Not applicable
13 Ratio in which the +securities will be offered	Not applicable
14 +Class of +securities to which the offer relates	Not applicable
15 +Record date to determine entitlements	Not applicable
16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not applicable
17 Policy for deciding entitlements in relation to fractions	Not applicable

+ See chapter 19 for defined terms.

**Appendix 3B**  
**New issue announcement**

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18	Names of countries in which the entity has <sup>+</sup> security holders who will not be sent new issue documents  Note: Security holders must be told how their entitlements are to be dealt with.  Cross reference: rule 7.7.	Not applicable
19	Closing date for receipt of acceptances or renunciations	Not applicable
20	Names of any underwriters	Not applicable
21	Amount of any underwriting fee or commission	Not applicable
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 <sup>+</sup> security holders	Not applicable
25	If the issue is contingent on <sup>+</sup> security holders' approval, the date of the meeting	Not applicable
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	Not applicable
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	Not applicable
28	Date rights trading will begin (if applicable)	Not applicable
29	Date rights trading will end (if applicable)	Not applicable
30	How do <sup>+</sup> security holders sell their entitlements <i>in full</i> through a	Not applicable

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+ See chapter 19 for defined terms.

broker?	
31 How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not applicable
32 How do +security holders dispose of their entitlements (except by sale through a broker)?	Not applicable
33 +Despatch date	Not applicable

### 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

#### 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.

**Appendix 3B**  
**New issue announcement**

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**Entities that have ticked box 34(b)**

38 Number of securities for which +quotation is sought 

Not applicable
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39 Class of +securities for which quotation is sought 

Not applicable
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40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?

If the additional securities do not rank equally, please state:

- 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
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41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another security, clearly identify that other security)

Not applicable
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	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the securities in clause 38)	Not applicable	

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+ 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 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: \_\_\_\_\_ Date: 23 January 2012  
(CFO & Company secretary)

Print name: Morné Engelbrecht

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