



carbonenergy

Carbon Energy Limited | ABN 56 057 552 137

ASX Announcement

30 May 2013

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

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 4,205,350 ordinary fully paid shares in the Company to PRCM Nominees Pty Limited (835,181 shares) and Pacific Road Holdings NV (3,370,169 shares) which represent the interest payable in respect of the Convertible Note 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.

The ordinary fully paid shares are issued in accordance with ASX Listing Rule 7.1.

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 within 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.

For and on behalf of the Board.

Morné Engelbrecht
Acting Chief Executive Officer

ABOUT CARBON ENERGY

Carbon energy specialises in underground coal gasification (UCG). Our proprietary keyseam® technology is the key to unlocking new energy sources, transforming stranded, deep or otherwise inaccessible coal resources into high-value fuels with lower carbon emissions.

Carbon Energy's complete end-to-end UCG services deliver world-class gas projects from initial project assessment through to commercial project development, operations, site decommissioning and rehabilitation.

Carbon Energy achieved Proof of Concept of its technology following 10 years of research with Australia's premier scientific research agency, the Commonwealth Scientific and Industrial Research organisation (CSIRO), 5 years of in-field trials and over \$150 million investment in technology development.

By successfully proving our keyseam technology, we have earned a reputation for delivering consistent, high quality product gas which can be used to produce power, fertilisers and pipeline quality gas. keyseam maximises resource efficiency, extracting up to 20 times more energy from the same resource than coal seam gas (CSG), whilst preserving groundwater quality.

Carbon Energy also has previously announced three wholly-owned assets available for development:

- 1.4 billion tonnes¹ of JORC Inferred Coal Resource in southeast Queensland's Surat Basin which is part of a 4 to 8 billion tonnes of Exploration target for coal;
- 910 million tonnes² of JORC Inferred Coal Resource in Wyoming USA plus an additional 423 million tonnes exploration potential; and
- 743PJ of Certified 2P syngas reserves³ in southeast Queensland's Surat Basin.

The Company is headquartered in Brisbane, Australia, listed on the Australian securities Exchange (ASX) as CNX and is quoted on the OTCQX International Exchange as CNXAY in the united states. Carbon Energy is developing potential UCG projects in Australia, China, Chile and the United States.

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1. See CNX ASX/Media Announcement 10 September 2012. CNX is not aware of any new information that would materially affect the Resources stated.
 2. See CNX ASX/Media Announcement 23 January 2013. CNX is not aware of any new information that would materially affect the Resources stated.
 3. See CNX ASX/Media Announcement 8 December 2009. CNX is not aware of any new information that would materially affect the Reserves stated.

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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 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Carbon Energy Limited (CNX)

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 | 4,205,350 Ordinary Fully Paid Shares. |
| 3 | Principal terms of the +securities (e.g. 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 will be on the same terms as existing Carbon Energy ordinary fully paid shares. |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

<p>4 Do the +securities rank equally in all respects from the +issue date 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"> • 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 	<p>Yes.</p>
<p>5 Issue price or consideration</p>	<p>In consideration of the interest costs, payable 3 months in arrears, in relation to the Facility utilised under the \$10 million Pacific Road Convertible Note Facility Agreement at a deemed value of 2.867 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 4,205,350 Ordinary Shares under the \$10 million Pacific Road Convertible Note Facility Agreement to cover the interest costs, payable 3 months in arrears, in relation to the Facility utilised under the \$10 million Pacific Road Convertible Note Facility Agreement. These shares are issued in accordance with ASX Listing Rule 7.</p>
<p>6a Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>Yes.</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>22 November 2012.</p>
<p>6c Number of +securities issued without security holder approval under rule 7.1</p>	<p>4,205,350 Ordinary Shares</p>

+ See chapter 19 for defined terms.

6d	Number of +securities issued with security holder approval under rule 7.1A	Nil.	
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Nil.	
6f	Number of +securities issued under an exception in rule 7.2	Nil.	
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	Not applicable.	
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	Not applicable.	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	187,128,760	
7	<p>+Issue dates</p> <p><small>Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.</small></p> <p><small>Cross reference: item 33 of Appendix 3B.</small></p>	30 May 2013.	
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	786,889,705	+Class Ordinary Fully Paid Shares

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

	Number	+Class
<p>9 Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)</p>	<p>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 7,250,000, 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 3,084,000, 12c Options expiring 31 Dec 2015 10,000,000, \$1.00 Options with vesting date of 30 June 2012 (must achieve certain Performance Benchmarks to vest) expiring 10 Dec 2014. 7,000,000, 18.75c Options (subject to adjustments as provided for under the Option Subscription Deed relating to Pro-rata issues, Bonus issues and reorganisations), expiring 18 January 2017. 28,000,000, 18.75c Options (subject to adjustments as provided for under the Option Subscription Deed relating to Pro-rata issues, Bonus issues and reorganisations), expiring 25 February 2017. 61,728,395, 8.1c Options (subject to adjustments as provided for under the Credit Suisse Senior Secured Loan Facility Agreement), expiring 24 months from the Issue Date if the Facility is prepaid in full prior to the date falling 6 months after the Utilisation Date, otherwise 36 months from the Issue Date. Exercisable by cash settlement or physical settlement (subject to shareholder approvals being obtained) 9,645,845, 8.1c Options (subject to adjustments as provided for under the Pacific Road Convertible Note Facility Agreement), under the same terms and conditions as the Credit Suisse options issued under the Credit Suisse Senior Secured Funding Facility.</p>	
<p>10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)</p>		<p>Not applicable.</p>

Part 2 - Pro rata issue

<p>11 Is security holder approval required?</p>	<p>Not applicable.</p>
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+ See chapter 19 for defined terms.

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.
18	Names of countries in which the entity has security holders who will not be sent new offer documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	Not applicable.
19	Closing date for receipt of acceptances or renunciations	Not applicable.

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

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 security holders	Not applicable.
25	If the issue is contingent on security holders' approval, the date of the meeting	Not applicable.
26	Date entitlement and acceptance form and offer documents 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 security holders sell their entitlements <i>in full</i> through a broker?	Not applicable.
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not applicable.

+ See chapter 19 for defined terms.

- 32 How do security holders dispose of their entitlements (except by sale through a broker)?
- 33 ⁺Issue date

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

Entities that have ticked box 34(b)

38 Number of +securities for which +quotation is sought

Not applicable.

39 +Class of +securities for which quotation is sought

Not applicable.

40 Do the +securities rank equally in all respects from the +issue date 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.

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.

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

+ 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 is not available now, we 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: 30 May 2013

Print name: Morne Engelbrecht

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
<i>Step 1: Calculate “A”, the base figure from which the placement capacity is calculated</i>	
<i>Insert</i> number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	774, 877, 576
<i>Add</i> the following:	14,302,996
<ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 	[6/6/12 – 1,363,013 9/7/12 – 50,049
<ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval 	4/9/12 – 2,306, 795 4/12/12 – 2,145,388
<ul style="list-style-type: none"> • Number of partly paid +ordinary securities that became fully paid in that 12 month period 	7/1/13 – 1,355,368 28/2/13 - 2,877,033
<i>Note:</i> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	28/5/13 - 4,205,350]
<i>Subtract</i> the number of fully paid +ordinary securities cancelled during that 12 month period	Nil.
“A”	789,180,572

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	118,377,086
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p><i>Insert</i> number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>3,084,000 Unlisted Options</p> <p>28/2/13 - 2,877,033 Fully Paid Ordinary Shares</p> <p>28/5/13 - 4,205,350 Fully Paid Ordinary Shares</p>
“C”	10,166,383
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	118,377,086
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	3,084,000
Total [“A” x 0.15] – “C”	108,210,703 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	789,180,572
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	78,918,057
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	Nil
“E”	Nil

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
<p>“A” x 0.10</p> <p><i>Note: number must be same as shown in Step 2</i></p>	78,918,057
<p>Subtract “E”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	Nil
<p>Total [“A” x 0.10] – “E”</p>	<p style="text-align: center;">78,918,057</p> <p style="text-align: center;"><i>Note: this is the remaining placement capacity under rule 7.1A</i></p>

+ See chapter 19 for defined terms.