



carbonenergy

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

9 January 2014

Patrick McCarthy
Adviser, Listings Compliance
ASX Compliance Pty Limited

BY FACSIMILE: (02) 9241 7620

ASX Price Query

Dear Patrick

In response to your query of 9 January 2014 in relation to an increase in the price and volume of the Company's securities of the same date, we advise as follows (adopting your numbering):

1. No.
2. Not applicable given the response to question 1.
3. The Company continues to receive enquiries regarding the use of its keyseam® UCG Technology and these opportunities remain at various stages of development. The Company has no basis to believe that it is unable to rely on the exemptions contained in Listing Rule 3.1A in this regard.

The Company notes that, consistent with its intentions previously disclosed to the market, it has mobilised a drill rig to its Bloodwood Creek site. The Company will now proceed to drill a well into the Panel 2 gasification cavity and collect a range of samples and data to confirm the condition of the cavity. The samples collected will assist the development of the rehabilitation plan for the site in conjunction with the Queensland Government as required to satisfy the precondition to commercialisation recommended by the Independent Scientific Panel in July 2013.

The Company further notes that the stage 1 engineering works for the Inner Mongolia UCG Project are progressing to schedule and the timing for commissioning of the process characterisation panel remains on track.

4. The Company confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

Yours sincerely,

TRACY BRAGG
General Counsel & Company Secretary



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9 January 2014

Mr Morne' Engelbrecht
Company Secretary
Carbon Energy Limited
Lev 9, 301 Coronation Drive
Milton QLD 4064

By Email

Dear Morne',

Carbon Energy Limited (the "Company"): ASX price and volume query

We have noted a change in the price of the Company's securities from a close of 1.7 cents on 8 January 2014 to a high of 2.2 cents at the time of writing today. We have also noticed an increase in the volume of trading in the Company's securities over this period.

In light of the price change, ASX asks you to respond separately to each of the following questions:

1. Is the Company aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities?
2. If the answer to question 1 is "yes":
 - a) Is the Company relying on Listing Rule 3.1A not to announce that information under Listing Rule 3.1?

Please note that the recent trading in the Company's securities would suggest to ASX that such information may have ceased to be confidential and therefore the Company may no longer be able to rely on Listing Rule 3.1A. Accordingly, if the answer to this question is "yes", you need to contact us immediately to discuss the situation.
 - b) Can an announcement be made immediately?

Please note, if the answer to this question is "no", you need to contact us immediately to discuss requesting a trading halt (see below).
 - c) If an announcement cannot be made immediately, why not and when is it expected that an announcement will be made?
3. If the answer to question 1 is "no", is there any other explanation that the Company may have for the recent trading in its securities?
4. Please confirm that the Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by **not later than 1pm AEDT on Thursday, 9 January 2014**. If we do not

have your response by then, ASX will have no choice but to consider suspending trading in the Company's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Company's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by a return e-mail or by facsimile to (02) 9241 7620. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Company to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Company's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

Trading halt

If you are unable to respond to this letter by the time specified above, or if the answer to question 1 is "yes" and an announcement cannot be made immediately, you should discuss with us whether it is appropriate to request a trading halt in the Company's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Patrick McCarthy
Adviser, Listings Compliance