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Australia

11 May 2010

FaxCompanies Announcement Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000**By facsimile: 1300 135 638**PO Box H3
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Sydney NSW 1215
DX 370 SydneyT +61 2 9353 4000
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www.claytonutz.comMr Prem Nair
Company Secretary
Carbon Energy Limited
Level 12
301 Coronation Drive
Milton
BRISBANE QLD 4066**By facsimile: 07 3337 9945**

Our reference: 14258/16508/80085480

Number of Pages - 29 (including this cover page)

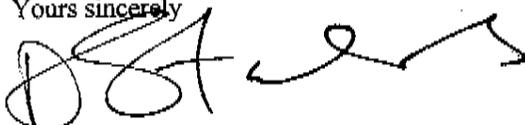
Dear Sirs,

Notice of change of initial substantial holder

We act for PRCM Nominees Pty Limited and Pacific Road Carbon Energy NV and lodge an executed ASIC Form 604, 'Notice of Initial Substantial Holder' on behalf of:

1. PRCM Nominees Pty Limited; and
2. Pacific Road Carbon Energy NV.

Yours sincerely

**David Stammers, Partner**
+61 2 9353 4180
dstammers@claytonutz.com

The information contained in this facsimile message may be confidential information, and may also be the subject of legal professional privilege. If you are not the intended recipient, any use, disclosure or copying of this document is unauthorised. If you have received this document in error, please telephone +61 2 9353 4000.

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Form 603
Corporations Act 2001
Section 671B

Notice of initial substantial holder

To Company Name/Scheme Carbon Energy Limited

ACN/ARSN ACN 057 552 137

1. Details of substantial holder (1)

Name PRCM Nominees Pty Limited

ACN/ARSN (if applicable) ACN 123 215 681

The holder became a substantial holder on 7 May 2010

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Ordinary Shares	58,436,269	58,436,269	9.9

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
PRCM Nominees Pty Limited	Registered holder of ordinary shares in Carbon Energy Limited	5,975,850 ordinary shares in Carbon Energy Limited
	Relevant interest in ordinary shares in Carbon Energy Limited under s608(B) of the Corporations Act 2001 (Cth) (refer to Annexure A)	5,629,592 ordinary shares in Carbon Energy Limited
	Relevant interest in ordinary shares in Carbon Energy Limited under s608(3) Corporations Act 2001 (Cth)	58,436,269 ordinary shares in Carbon Energy Limited
Pacific Road Carbon Energy NV	Registered holder of ordinary shares in Carbon Energy Limited	24,114,030 ordinary shares in Carbon Energy Limited
	Relevant interest in ordinary shares in Carbon Energy Limited under s608(B) of the Corporations Act 2001 (Cth) (refer to Annexure A)	22,716,797 ordinary shares in Carbon Energy Limited
	Relevant interest in ordinary shares in Carbon Energy Limited under s608(3) Corporations Act 2001 (Cth)	58,436,269 ordinary shares in Carbon Energy Limited

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
PRCM Nominees Pty Limited	PRCM Nominees Pty Limited	PRCM Nominees Pty Limited	5,975,850 ordinary shares in Carbon Energy Limited
PRCM Nominees Pty Limited	Commonwealth Scientific and Industrial Research Organisation (CSIRO)	Commonwealth Scientific and Industrial Research Organisation (CSIRO)	5,629,592 ordinary shares in Carbon Energy Limited
Pacific Road Carbon Energy NV	Pacific Road Carbon Energy NV	Pacific Road Carbon Energy NV	24,114,030 ordinary shares in Carbon Energy

Pacific Road Carbon Energy NV	Commonwealth Scientific and Industrial Research Organisation (CSIRO)	Commonwealth Scientific and Industrial Research Organisation (CSIRO)	22,716,797 ordinary shares in Carbon Energy Limited
-------------------------------	--	--	---

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	
PRCM Nominees Pty Limited	7 May 2010	\$3,585,510.00	N/A	5,975,850 Ordinary Shares
	Option exercisable anytime until 26 March 2012.		N/A	5,829,592 Ordinary Shares
Pacific Road Carbon Energy NV	7 May 2010	\$14,468,418.00	N/A	24,114,030 Ordinary Shares
	Option exercisable anytime until 26 March 2012.		N/A	22,716,797 Ordinary Shares

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
PRCM Nominees Pty Limited Pacific Road Carbon Energy NV	Associates of each other by virtue of s12(2) of the Corporations Act.

7. Addresses

The addresses of persons named in this form are as follows:

Name	Address
PRCM Nominees Pty Limited	Level 23, Gold Fields House, 1 Alfred Street, Sydney NSW 2000
Pacific Road Carbon Energy NV	Avenue Louise 331-333, 1050 Brussels, Belgium
Commonwealth Scientific and Industrial Research Organisation (CSIRO)	Riverside Corporate Park, 5 Julius Avenue, North Ryde, 2113

Signature

print name

Greg Dick

Secretary,
PRCM Nominees Pty Limited

sign here

[Signature]

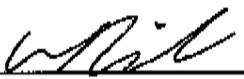
date 11 / 5 / 10

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.

- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
 - (3) See the definition of "relevant interest" in sections 609 and 671B(7) of the Corporations Act 2001.
 - (4) The voting shares of a company constitute one class unless divided into separate classes.
 - (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
 - (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
 - (7) Include details of:
 - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).
- See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown."
 - (9) Details of the consideration must include any and all benefits, moneys and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.
-

This is the Annexure "A" of 11 pages mentioned in the Form 603 "Notice of Initial Substantial Holder" signed by Greg Dick on behalf of PRCM Nominees Pty Limited and dated 11 May 2010.

Signed by:  Date: 11/5/10
Greg Dick

CLAYTON UTZ

Call Option Deed

Commonwealth Scientific and Industrial Research Organisation
CSIRO

PRCM Nominees Pty Limited
PRCM

Pacific Road Carbon Energy NV
Belco

Clayton Utz
Lawyers
Levels 19-35 No. 1 O'Connell Street Sydney NSW 2000 Australia
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Our reference 14256/13991/80099706

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Deed dated 7 May 2010

Parties

Commonwealth Scientific and Industrial Research Organisation of
Riverside Corporate Park, 5 Julius Avenue, North Ryde, 2113 (CSIRO)

PRCM Nominees Pty Limited ACN 123 215 681 as trustee of the Pacific
Road CE Trust of Level 23, Gold Fields House, 1 Alfred Street, Sydney, New
South Wales 2000 (PRCM)

Pacific Road Carbon Energy NV of Avenue Louise 331-333, 1050 Brussels,
Belgium (Belco)

(PRCM and Belco are each a **Holder**)

Recitals

- A. CSIRO is the legal and beneficial owner of Shares.
- B. CSIRO has agreed to grant to each Holder options to purchase the Option Shares on the terms and conditions of this deed.

The parties agree

1. Interpretation

1.1 Definitions

In this deed:

Additional Shares means in relation to each Holder the same proportion as the Holder's proportion of Option Shares specified in Schedule 1 of any new Shares which are issued pursuant to a Bonus Issue and which are attributable to the Option Shares.

Aggregate Purchase Price means the amount determined:

- (a) by multiplying the number of Option Shares by the Exercise Price; and
- (b) subtracting any amount referred to in clause 4.2(a).

Applicable Law means the Corporations Act, Listing Rules and ASTC Settlement Rules.

ASTC Settlement Rules means the operating rules of ASX Settlement and Transfer Corporation Pty Limited, ACN 008 504 532 in its capacity as a CS facility licensee.

ASX means ASX Limited, ACN 008 624 691.

Authorised Officer means a director or a secretary of a party or any other person appointed by a party to act as an Authorised Officer for the purposes of this deed.

Board means the directors of the Company from time to time.

Bonus Issue means a bonus issue of Shares or other securities convertible into Shares pro rata to holders of Shares (other than an issue in lieu of dividends or by way of dividend reinvestment pursuant to any election by a holder of Shares).

Business Day:

- (a) if the Company is admitted to the official list of ASX at the time, has the meaning

given in the Listing Rules; or

- (b) otherwise, means a day except a Saturday, Sunday or public holiday in New South Wales.

Company means Carbon Energy Limited ACN 057 552 137.

Corporations Act means Corporations Act, 2001 (Cth).

Exercise Period means the period commencing on the date of completion of the Initial Share Sale and ending on the Expiry Date.

Exercise Price means \$0.93 per Option Share.

Expiry Date means 26 March 2012.

Expiry Time means 11.59 pm Eastern Standard Time, on the Expiry Date.

Initial Share Sale means the sale by CSIRO to the Holders and any other person nominated by the Holders of 58,999,765 Shares at \$0.60 per share.

Listing Rules means the listing rules of ASX.

Market Price has the meaning given in the Listing Rules.

Option has the meaning given in clause 2.1.

Option Shares means in relation to each Holder, the number of Shares specified opposite the name of that Holder in Schedule 1.

Pro Rata Issue has the meaning given in the Listing Rules but excludes a Bonus Issue.

Register means the Company's register of option holders maintained under the Corporations Act.

Shares means ordinary shares in the capital of the Company.

1.2 Interpretation

Unless the context indicates a contrary intention, in these terms:

- (a) a reference to any statute includes its delegated legislation and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (b) a reference to the Listing Rules or the ASTC Settlement Rules includes any amendment or replacement of those rules from time to time;
- (c) a reference to the Applicable Law is to the Applicable Law in force in relation to the Company after taking into account any modification, waiver or exemption which is in force either generally or in relation to the Company; and
- (d) a word or phrase given a meaning in the Applicable Law has the same meaning in these terms where it relates to the same matters as the matters for which it is defined in the Applicable Law, unless that word or phrase is otherwise defined in these terms.

2. Options

2.1 Entitlement

Subject to and with effect from completion of the Initial Share Sale, CSIRO irrevocably grants each Holder call options for that Holder or its nominee to purchase the Option Shares and any Additional Shares for the Aggregate Purchase Price on the terms and conditions specified in this deed (**Options**).

2.2 Expiry

- (a) Each Option automatically expires at the Expiry Time.
- (b) If each Option expires under clause 2.2(a) then, without prejudice to the rights of the parties already existing under this deed:
 - (i) this deed automatically terminates; and
 - (ii) none of the parties are liable to the other parties for any damages, expenses, losses, actions, claims or demands arising out of the Options or in connection with this deed.

3. Exercise

3.1 Time of exercise

Each Holder may exercise some or all of its Options once during the Exercise Period or such earlier date as agreed in writing by each of the parties.

3.2 Manner of exercise

Each Holder may only exercise its Options by:

- (a) delivering a notice addressed to CSIRO and signed by the Holder stating that the Holder exercises some or all of its Options and specifying the number of Options exercised; and
- (b) making payment in cleared funds to CSIRO of the Aggregate Purchase Price (or a pro rata portion of the Aggregate Purchase Price in the case of an exercise of only some of the Options) by way of direct deposit to an account notified by CSIRO to the Holder.

3.3 Completion

Within 5 Business Days of a Holder exercising Options in accordance with clause 3.2, CSIRO must deliver to the Holder a duly executed share transfer form for the number of Option Shares and any Additional Shares specified in the notice delivered by the Holder under clause 3.2(a) in favour of the Holder (or its nominee) as transferee.

4. Adjustments

4.1 Bonus Issue

If the Company makes a Bonus Issue at any time after the date of completion of the Initial Share Sale but before this deed terminates under clause 2.2(b):

- (a) CSIRO must take up its rights under the Bonus Issue; and
- (b) the Aggregate Purchase Price will remain unaltered.

4.2 Rights

If the Company makes a Pro Rata Issue at any time after the date of completion of the Initial Share Sale but before this deed terminates under clause 2.2(b) then:

- (a) if the Pro Rata Issue is a renounceable issue then CSIRO must sell the right to participate in the Pro Rata Issue attaching to each Option Share (and any Additional Shares if applicable) on market or through any other mechanism put in place by the Company to allow shareholders to realise the value in those rights and the amount realised by CSIRO (net of any reasonable costs or fees but excluding tax) shall be deducted from the Aggregate Purchase Price;
- (b) if the Pro Rata Issue is a non-renounceable issue then at the option of the Holders:
 - (i) the Holders may elect to exercise some or all of the Options in accordance with this deed in order that the Holders may participate in the Pro Rata Issue and completion as contemplated in clause 3.3 must occur as soon as reasonably practicable but in any event such that the Holders may become the registered holders of the Option Shares and any Additional Shares before the record date for the Pro Rata Issue; and
 - (ii) the Holders may by written notice to CSIRO require CSIRO to take up some or all of its rights under the Pro Rata Issue in respect of the Option Shares and any Additional Shares, subject to the Holders providing the funds necessary for CSIRO to take up those rights to a broker nominated by CSIRO, and CSIRO must, or must procure that its nominated broker, as soon as possible following allotment of the relevant shares transfers the shares issued pursuant to those rights to the Holders (in the proportions specified in Schedule 1).

5. Reorganisation

If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, the rights of Holders in respect of any unexercised Options will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

6. Notices

6.1 Form

Unless expressly stated otherwise in this deed, all notices, certificates, consents, approvals, waivers and other communications in connection with this deed must be in writing, signed by the sender (if an individual) or an Authorised Officer of the sender and marked for the attention of the person identified in the Details or, if the recipient has notified otherwise, then marked for attention in the last way notified.

6.2 Delivery

They must be:

- (a) left at the address set out or referred to in the Details; or

(b) sent by prepaid ordinary post (airmail if appropriate) to the address set out or referred to in the Details.

However, if the intended recipient has notified a changed postal address, then the communication must be to that address or number.

6.3 When effective

They take effect from the time they are received unless a later time is specified.

6.4 Receipt - post

If sent by post, they are taken to be received three days after posting (or seven days after posting if sent to or from a place outside Australia).

7. General

7.1 Stamp duty

Each Holder agrees to pay all stamp duty on this deed and any stamp duty payable on exercise of the Options.

7.2 Assignment

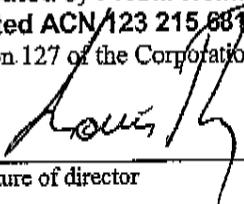
Notwithstanding any other provision of this deed, a party must not assign or otherwise transfer its rights and obligations under this deed without the prior written consent of the other parties.

7.3 Governing law

These terms are governed by and must be construed according to the law applying in New South Wales.

Executed as deed.

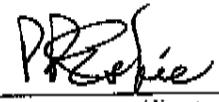
Executed by **PRCM Nominees Limited Pty Limited ACN 123 215 887** in accordance with section 127 of the Corporations Act 2001 (Cth):



Signature of director

LOUIS IVAN ROZMAN

Full name of director



Signature of company secretary/director

PAUL ROBERTSON ESPIE

Full name of company secretary/director

However, if the intended recipient has notified a changed postal address, then the communication must be to that address or number.

6.3 When effective

They take effect from the time they are received unless a later time is specified.

6.4 Receipt - post

If sent by post, they are taken to be received three days after posting (or seven days after posting if sent to or from a place outside Australia).

7 General

7.1 Stamp duty

Each Holder agrees to pay all stamp duty on this deed and any stamp duty payable on exercise of the Options.

7.2 Assignment

Notwithstanding any other provision of this deed, a party must not assign or otherwise transfer its rights and obligations under this deed without the prior written consent of the other parties.

7.3 Governing law

These terms are governed by and must be construed according to the law applying in New South Wales.

Executed as deed.

Executed by **PRCM Nominees Limited Pty Limited** ACN 123 215 681 in accordance with section 127 of the Corporations Act 2001 (Cth).

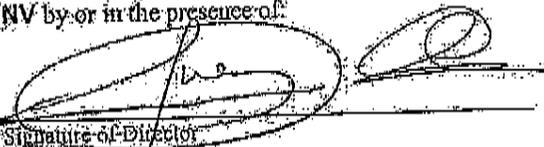
Signature of director

Full name of director

Signature of company secretary/director

Full name of company secretary/director

Executed by **Pacific Road Carbon Energy NV** by or in the presence of:



Signature of Director

Jacques de Patoul

Name of Director in full

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Signature of Secretary/other Director

Name of Secretary/other Director in full

Executed by Pacific Road Carbon Energy
NV by or in the presence of:

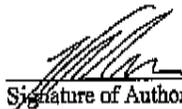
Signature of Director

Signature of Secretary/other Director

Name of Director in full

Name of Secretary/other Director in full

Executed by Commonwealth Scientific
and Industrial Research Organisation in
accordance with section 127 of the Corporations
Act 2001 (Cth):



Signature of Authorised Representative



Signature of Witness

K RODRIGUEZ

Full name of Authorised Representative

HUI ZHENG ZHANG

Full name of Witness

Schedule 1

Holder	Number of Option Shares	Exercise Price per Option Share
PRCM Nominees Pty Limited ACN 123 215 681 as trustee of the Pacific Road CE Trust	5,629,592	\$0.93
Pacific Road Carbon Energy NV	22,716,797	\$0.93

Form 603
Corporations Act 2001
Section 671B

Notice of initial substantial holder

To Company Name/Scheme Carbon Energy Limited
ACN/ARSN ACN 057 552 137

1. Details of substantial holder (1)

Name Pacific Road Carbon Energy NV
ACN/ARSN (if applicable) N/A

The holder became a substantial holder on 7 May 2010

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Ordinary Shares	58,436,269	58,436,269	9.9

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
Pacific Road Carbon Energy NV	Registered holder of ordinary shares in Carbon Energy Limited	24,114,030 ordinary shares in Carbon Energy Limited
	Relevant interest in ordinary shares in Carbon Energy Limited under s608(8) of the Corporations Act 2001 (Cth) (refer to Annexure A)	22,716,797 ordinary shares in Carbon Energy Limited
	Relevant interest in ordinary shares in Carbon Energy Limited under s608(3) Corporations Act 2001 (Cth)	58,436,269 ordinary shares in Carbon Energy Limited
PRCM Nominees Pty Limited	Registered holder of ordinary shares in Carbon Energy Limited	5,975,850 ordinary shares in Carbon Energy Limited
	Relevant interest in ordinary shares in Carbon Energy Limited under s608(8) of the Corporations Act 2001 (Cth) (refer to Annexure A)	5,629,592 ordinary shares in Carbon Energy Limited
	Relevant interest in ordinary shares in Carbon Energy Limited under s608(3) Corporations Act 2001 (Cth)	58,436,269 ordinary shares in Carbon Energy Limited

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
Pacific Road Carbon Energy NV	Pacific Road Carbon Energy NV	Pacific Road Carbon Energy NV	24,114,030 ordinary shares in Carbon Energy Limited
Pacific Road Carbon Energy NV	Commonwealth Scientific and Industrial Research Organisation (CSIRO)	Commonwealth Scientific and Industrial Research Organisation (CSIRO)	22,716,797 ordinary shares in Carbon Energy Limited

PRCM Nominees Pty Limited	PRCM Nominees Pty Limited	PRCM Nominees Pty Limited	5,975,850 ordinary shares in Carbon Energy Limited
PRCM Nominees Pty Limited	Commonwealth Scientific and Industrial Research Organisation (CSIRO)	Commonwealth Scientific and Industrial Research Organisation (CSIRO)	5,629,592 ordinary shares in Carbon Energy Limited

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	
Pacific Road Carbon Energy NV	7 May 2010	\$14,468,418.00	N/A	24,114,030 Ordinary Shares
	Option exercisable anytime until 26 March 2012.		N/A	22,716,797 Ordinary Shares
PRCM Nominees Pty Limited	7 May 2010	\$3,585,510.00	N/A	5,975,850 Ordinary Shares
	Option exercisable anytime until 26 March 2012.		N/A	5,629,592 Ordinary Shares

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
PRCM Nominees Pty Limited Pacific Road Carbon Energy NV	Associates of each other by virtue of s12(2) of the Corporations Act.

7. Addresses

The addresses of persons named in this form are as follows:

Name	Address
PRCM Nominees Pty Limited	Level 23, Gold Fields House, 1 Alfred Street, Sydney NSW 2000
Pacific Road Carbon Energy NV	Avenue Louise 331-333, 1050 Brussels, Belgium
Commonwealth Scientific and Industrial Research Organisation (CSIRO)	Riverside Corporate Park, 5 Julius Avenue, North Ryde, 2113

Signature

print name

Jacques de Patoul



Caroline HOOGSTEYNS

capacity

Director,
Pacific Road Carbon Energy NV

sign here

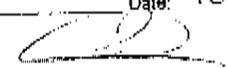
date

10 / 5 / 10

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
 - (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
 - (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
 - (4) The voting shares of a company constitute one class unless divided into separate classes.
 - (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
 - (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
 - (7) Include details of:
 - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
 - (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown."
 - (9) Details of the consideration must include any and all benefits, moneys and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.
-

This is the Annexure "A" of 11 pages mentioned in the Form 603 "Notice of Initial Substantial Holder" signed by (insert name) on behalf of Pacific Road Carbon Energy NV and dated 10 May 2010.

Signed by:  Date: 10 / 5 / 10
[Name in full] 

Jacques de Patoul

Caroline HOOGSTEYNS

CLAYTON UTZ

Call Option Deed

Commonwealth Scientific and Industrial Research Organisation
CSIRO

PRCM Nominees Pty Limited
PRCM

Pacific Road Carbon Energy NV
Belco

Clayton Utz
Lawyers
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PO Box H3 Australia Square Sydney NSW 1215
T +61 2 9353 4000 F +61 2 8220 6700

www.claytonutz.com

Our reference 14256/13991/60099706

Legal\301121836.1

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Deed dated 7 May 2010

Parties

Commonwealth Scientific and Industrial Research Organisation of
Riverside Corporate Park, 5 Julius Avenue, North Ryde, 2113 (CSIRO)

PRCM Nominees Pty Limited ACN 123 215 681 as trustee of the Pacific
Road CE Trust of Level 23, Gold Fields House, 1 Alfred Street, Sydney, New
South Wales 2000 (PRCM)

Pacific Road Carbon Energy NV of Avenue Louise 331-333, 1050 Brussels,
Belgium (Belco)

(PRCM and Belco are each a **Holder**)

Recitals

- A. CSIRO is the legal and beneficial owner of Shares.
- B. CSIRO has agreed to grant to each Holder options to purchase the Option Shares on the terms and conditions of this deed.

The parties agree

1. Interpretation

1.1 Definitions

In this deed:

Additional Shares means in relation to each Holder the same proportion as the Holder's proportion of Option Shares specified in Schedule 1 of any new Shares which are issued pursuant to a Bonus Issue and which are attributable to the Option Shares.

Aggregate Purchase Price means the amount determined:

- (a) by multiplying the number of Option Shares by the Exercise Price; and
- (b) subtracting any amount referred to in clause 4.2(a).

Applicable Law means the Corporations Act, Listing Rules and ASTC Settlement Rules.

ASTC Settlement Rules means the operating rules of ASX Settlement and Transfer Corporation Pty Limited, ACN 008 504 532 in its capacity as a CS facility licensee.

ASX means ASX Limited, ACN 008 624 691.

Authorised Officer means a director or a secretary of a party or any other person appointed by a party to act as an Authorised Officer for the purposes of this deed.

Board means the directors of the Company from time to time.

Bonus Issue means a bonus issue of Shares or other securities convertible into Shares pro rata to holders of Shares (other than an issue in lieu of dividends or by way of dividend reinvestment pursuant to any election by a holder of Shares).

Business Day:

- (a) if the Company is admitted to the official list of ASX at the time, has the meaning

given in the Listing Rules; or

- (b) otherwise, means a day except a Saturday, Sunday or public holiday in New South Wales.

Company means Carbon Energy Limited ACN 057 552 137.

Corporations Act means Corporations Act, 2001 (Cth).

Exercise Period means the period commencing on the date of completion of the Initial Share Sale and ending on the Expiry Date.

Exercise Price means \$0.93 per Option Share.

Expiry Date means 26 March 2012.

Expiry Time means 11.59 pm Eastern Standard Time, on the Expiry Date.

Initial Share Sale means the sale by CSIRO to the Holders and any other person nominated by the Holders of 58,999,765 Shares at \$0.60 per share.

Listing Rules means the listing rules of ASX.

Market Price has the meaning given in the Listing Rules.

Option has the meaning given in clause 2.1.

Option Shares means in relation to each Holder, the number of Shares specified opposite the name of that Holder in Schedule 1.

Pro Rata Issue has the meaning given in the Listing Rules but excludes a Bonus Issue.

Register means the Company's register of option holders maintained under the Corporations Act.

Shares means ordinary shares in the capital of the Company.

1.2 Interpretation

Unless the context indicates a contrary intention, in these terms:

- (a) a reference to any statute includes its delegated legislation and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (b) a reference to the Listing Rules or the ASTC Settlement Rules includes any amendment or replacement of those rules from time to time;
- (c) a reference to the Applicable Law is to the Applicable Law in force in relation to the Company after taking into account any modification, waiver or exemption which is in force either generally or in relation to the Company; and
- (d) a word or phrase given a meaning in the Applicable Law has the same meaning in these terms where it relates to the same matters as the matters for which it is defined in the Applicable Law, unless that word or phrase is otherwise defined in these terms.

2. Options

2.1 Entitlement

Subject to and with effect from completion of the Initial Share Sale, CSIRO irrevocably grants each Holder call options for that Holder or its nominee to purchase the Option Shares and any Additional Shares for the Aggregate Purchase Price on the terms and conditions specified in this deed (**Options**).

2.2 Expiry

- (a) Each Option automatically expires at the Expiry Time.
- (b) If each Option expires under clause 2.2(a) then, without prejudice to the rights of the parties already existing under this deed:
 - (i) this deed automatically terminates; and
 - (ii) none of the parties are liable to the other parties for any damages, expenses, losses, actions, claims or demands arising out of the Options or in connection with this deed.

3. Exercise

3.1 Time of exercise

Each Holder may exercise some or all of its Options once during the Exercise Period or such earlier date as agreed in writing by each of the parties.

3.2 Manner of exercise

Each Holder may only exercise its Options by:

- (a) delivering a notice addressed to CSIRO and signed by the Holder stating that the Holder exercises some or all of its Options and specifying the number of Options exercised; and
- (b) making payment in cleared funds to CSIRO of the Aggregate Purchase Price (or a pro rata portion of the Aggregate Purchase Price in the case of an exercise of only some of the Options) by way of direct deposit to an account notified by CSIRO to the Holder.

3.3 Completion

Within 5 Business Days of a Holder exercising Options in accordance with clause 3.2, CSIRO must deliver to the Holder a duly executed share transfer form for the number of Option Shares and any Additional Shares specified in the notice delivered by the Holder under clause 3.2(a) in favour of the Holder (or its nominee) as transferee.

4. Adjustments

4.1 Bonus Issue

If the Company makes a Bonus Issue at any time after the date of completion of the Initial Share Sale but before this deed terminates under clause 2.2(b):

- (a) CSIRO must take up its rights under the Bonus Issue; and
- (b) the Aggregate Purchase Price will remain unaltered.

4.2 Rights

If the Company makes a Pro Rata Issue at any time after the date of completion of the Initial Share Sale but before this deed terminates under clause 2.2(b) then:

- (a) if the Pro Rata Issue is a renounceable issue then CSIRO must sell the right to participate in the Pro Rata Issue attaching to each Option Share (and any Additional Shares if applicable) on market or through any other mechanism put in place by the Company to allow shareholders to realise the value in those rights and the amount realised by CSIRO (net of any reasonable costs or fees but excluding tax) shall be deducted from the Aggregate Purchase Price;
- (b) if the Pro Rata Issue is a non-renounceable issue then at the option of the Holders:
 - (i) the Holders may elect to exercise some or all of the Options in accordance with this deed in order that the Holders may participate in the Pro Rata Issue and completion as contemplated in clause 3.3 must occur as soon as reasonably practicable but in any event such that the Holders may become the registered holders of the Option Shares and any Additional Shares before the record date for the Pro Rata Issue; and
 - (ii) the Holders may by written notice to CSIRO require CSIRO to take up some or all of its rights under the Pro Rata Issue in respect of the Option Shares and any Additional Shares, subject to the Holders providing the funds necessary for CSIRO to take up those rights to a broker nominated by CSIRO, and CSIRO must, or must procure that its nominated broker, as soon as possible following allotment of the relevant shares transfers the shares issued pursuant to those rights to the Holders (in the proportions specified in Schedule 1).

5. Reorganisation

If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, the rights of Holders in respect of any unexercised Options will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

6. Notices

6.1 Form

Unless expressly stated otherwise in this deed, all notices, certificates, consents, approvals, waivers and other communications in connection with this deed must be in writing, signed by the sender (if an individual) or an Authorised Officer of the sender and marked for the attention of the person identified in the Details or, if the recipient has notified otherwise, then marked for attention in the last way notified.

6.2 Delivery

They must be:

- (a) left at the address set out or referred to in the Details; or

(b) sent by prepaid ordinary post (airmail if appropriate) to the address set out or referred to in the Details.

However, if the intended recipient has notified a changed postal address, then the communication must be to that address or number.

6.3 When effective

They take effect from the time they are received unless a later time is specified.

6.4 Receipt - post

If sent by post, they are taken to be received three days after posting (or seven days after posting if sent to or from a place outside Australia).

7. General

7.1 Stamp duty

Each Holder agrees to pay all stamp duty on this deed and any stamp duty payable on exercise of the Options.

7.2 Assignment

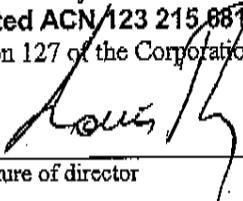
Notwithstanding any other provision of this deed, a party must not assign or otherwise transfer its rights and obligations under this deed without the prior written consent of the other parties.

7.3 Governing law

These terms are governed by and must be construed according to the law applying in New South Wales.

Executed as deed.

Executed by **PRCM Nominees Limited Pty Limited ACN/123 215 887** in accordance with section 127 of the Corporations Act 2001 (Cth):



Signature of director

LOUIS IVAN ROZMAN

Full name of director



Signature of company secretary/director

PAUL ROBERTSON ESPIE

Full name of company secretary/director

However, if the intended recipient has notified a changed postal address, then the communication must be to that address or number.

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Notwithstanding any other provision of this deed, a party must not assign or otherwise transfer its rights and obligations under this deed without the prior written consent of the other parties.

7.3 Governing law

These terms are governed by and must be construed according to the law applying in New South Wales.

Executed as deed.

Executed by **PRCM Nominees Limited Pty Limited** ACN 123 215 681 in accordance with section 127 of the Corporations Act 2001 (Cth).

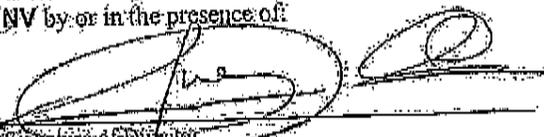
Signature of director

Signature of company secretary/director

Full name of director

Full name of company secretary/director

Executed by **Pacific Road Carbon Energy NV** by or in the presence of:



Signature of Director

Signature of Secretary/other Director

Jacques de Patoul

Caroline HOOGSTEYNS

Name of Director in full

Name of Secretary/other Director in full

Executed by Pacific Road Carbon Energy
NV by or in the presence of:

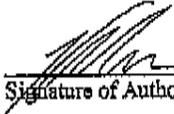
Signature of Director

Signature of Secretary/other Director

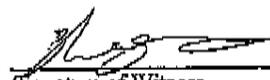
Name of Director in full

Name of Secretary/other Director in full

Executed by Commonwealth Scientific
and Industrial Research Organisation in
accordance with section 127 of the Corporations
Act 2001 (Cth):



Signature of Authorised Representative



Signature of Witness

K RODRIGUES

Full name of Authorised Representative

HUI ZHENQ ZHANG

Full name of Witness

Schedule 1

Holder	Number of Option Shares	Exercise Price per Option Share
PRCM Nominees Pty Limited ACN 123 215 681 as trustee of the Pacific Road CE Trust	5,629,592	\$0.93
Pacific Road Carbon Energy NV	22,716,797	\$0.93