

CARBON POLYMERS LIMITED

Entitlement Offer Booklet

DETAILS OF A 3 FOR 5 NON-RENOUNCEABLE PRO RATA ENTITLEMENT OFFER OF ORDINARY SHARES IN CARBON POLYMERS AT AN OFFER PRICE OF AUD\$0.04 PER NEW SHARE.

THIS ENTITLEMENT OFFER CLOSING AT 5.00PM (SYDNEY TIME) ON 1 JUNE 2012.

VALID ACCEPTANCES MUST BE RECEIVED BEFORE THAT TIME.

This is an important document which is accompanied by an Entitlement and Acceptance Form for you to subscribe for new ordinary shares in Carbon Polymers Limited. Please read this document carefully and call your professional adviser or the Carbon Polymers Share Registry if you have any queries.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS

CHAIRMAN'S LETTER

8 May 2012

Dear Shareholder

Carbon Polymers Limited (ASX: CBP) (Carbon Polymers or the Company) announces plans to undertake a Non-Renounceable Rights Issue to raise up to \$A2.8 million.

To satisfy its funding needs and to give existing shareholders the opportunity to participate in the funding package as announced by the Company on 16 March 2012, Carbon Polymers will conduct a pro rata non-renounceable entitlement offer to eligible shareholders in Carbon Polymers in accordance with the indicative timetable set out below.

The funds raised by the Rights Issue will be applied by Carbon Polymers towards reducing debt, working capital and costs associated predominantly with the upgrade of plant and equipment.

Under the proposed Rights Issue, eligible shareholders will be invited to subscribe for 3 new ordinary Carbon Polymers shares for every 5 existing shares held on the record date at a price of 4 cents per share. The price represents a substantial discount to the last traded price of the Company's shares on ASX of 11 cents on the 4 May 2012. The company hopes that this will encourage all shareholders to subscribe for their entitlement.

If there is any shortfall under the Rights Issue, the directors reserve the right to place the shortfall to Eligible shareholders whose acceptance exceeds their entitlement as shown on their acceptance form for the Rights Issue or in lieu of receiving additional acceptances placing the shortfall with Institutional Investors.

The directors also reserve the right to reduce the size of the placement in the event that the total required funding for the company has been satisfied by a funding facility currently being negotiated. In the event that the Rights Issue is reduced, a refund of the payment sought with the placement allotted will be issued to the shareholders. The company estimates that any refund may take 4 weeks to complete.

In the event that the full amount is required, any shortfall shares will be placed within 2 months of the closing date of the Rights Issue on the same terms as offered to shareholders under the Rights Issue. The current proposed timetable for the Rights Issue is set out below. These dates are indicative only and Carbon Polymers reserves the right to vary the dates for any reason (subject to the Corporations Act and the Listing Rules).

There will be no deferred settlement trading under the Rights Issue.

Entitlement Offer

The Entitlement Offer is non-renounceable, which means that entitlements to take up New Shares (Entitlements) are non-transferable and will not be tradeable on ASX or otherwise transferable.

Shareholders who do not take up all or any part of their Entitlements will not receive any payment or value in respect of those Entitlements not taken up and their equity interest in Carbon Polymers will be diluted.

The Entitlement Offer is not subject to shareholder approval and will go ahead regardless of whether or not the Facility is approved by shareholders. An Entitlement Offer was considered an appropriate structure to raise funds and allow all eligible shareholders to participate in the Funding Package.

Other information

This Offer Booklet contains important information about the Entitlement Offer under the following headings:

- Dates for the Offer;
- How to Apply;
- Important Information; and
- Key Risks.

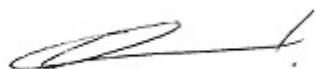
With this booklet you will also find your personalised Entitlement and Acceptance Form which details your Entitlement, to be completed in accordance with the instructions provided on the form and the instructions on "How to Apply".

The Entitlement Offer closes at 5.00pm (Sydney time) on 1 June 2011. To participate, you need to ensure that you have completed the Entitlement and Acceptance Form and paid all monies before this time and date. For further information regarding the Entitlement Offer, please call 02 9756 0960 (from within Australia) or +61 2 9756 0960 (from outside Australia) between 9.00am and 5pm (Sydney time) Monday to Friday, or visit our website at www.carbonpolymers.com.au.

You should also consult your stockbroker, accountant or other independent professional adviser to evaluate whether or not to participate in the Entitlement Offer.

On behalf of the Board of Carbon Polymers Limited, I thank you for your support of our company.

Yours faithfully,



Andrew Howard
Chairman & CEO

Key Dates - Rights Issue

NOTE: These dates are indicative only. Carbon Polymers reserves the right to change these dates subject to the Corporations Act and the listing rules.

Event	Date
Lodge offer documentation and Appendix 3B	08-May-2012
Dispatch notice to shareholders informing them of Rights Issue	09-May-2012
Shareholders trade on 'Ex' entitlement basis	10-May-2012
Record date for determining entitlements to participate in Rights Issue	16-May-2012
Completion of dispatch of offer documentation and entitlement and acceptance form to shareholders	18-May-2012
Acceptance close	01-Jun-2012
ASX notified	05-Jun-2012
Holding statements dispatched to shareholders	08-Jun-2012
Normal trading for new shares commences	12-Jun-2012

HOW TO APPLY

Overview of the Entitlement Offer

Carbon Polymers intends to raise approximately AUD\$2.8 million through the Entitlement Offer. New Shares issued under the Entitlement Offer will be issued on a fully paid basis and will rank equally in all respects with existing ordinary Carbon Polymers shares from their date of issue.

The Entitlement Offer

Eligible Shareholders (as defined in the “Important Information” section below) are being offered the opportunity to subscribe for 3 New Shares for every 5 Carbon Polymers ordinary shares (Shares) held at 5:00pm (Sydney time) on 16 May 2012 (Entitlement), at the offer price of \$0.04 per New Share (Offer Price).

Eligible Shareholders may also apply for New Shares in excess of their Entitlement (Additional New Shares). Please note that Additional New Shares will only be allocated to Eligible Shareholders, if and to the extent that Carbon Polymers so determines in its absolute discretion and subject to the Corporations Act and the Listing Rules, having regard to the circumstances as at the time of the close of the Entitlement Offer. Any Additional New Shares will be limited to the extent that there are sufficient New Shares from Eligible Shareholders who do not take up their full Entitlements or from New Shares that would have been offered to Ineligible Shareholders if they had been entitled to participate in the Entitlement Offer. Carbon Polymers may apply any scale-back (in its absolute discretion).

The Entitlement Offer is being made pursuant to provisions of the Corporations Act which allow rights issues to be offered without a prospectus. As a result, it is important for Eligible Shareholders to read and understand the information on Carbon Polymers and the Entitlement Offer made publicly available before taking up all or part of their Entitlement or applying for Additional New Shares.

In particular please refer to this booklet, Carbon Polymers’ interim and annual reports and other announcements made available at the ASX website, www.asx.com.au (including the Carbon Polymers Half Year Accounts for the half year ending 31 December 2011 that was released to ASX on 6 March 2012).

Your Entitlement is set out on the accompanying Entitlement and Acceptance Form and has been calculated as 3 New Share for every 5 Shares you held as at the Record Date of 5:00pm (Sydney time) on 16 May 2012. If you have more than one holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding. All New Shares (including any Additional New Shares) issued under the Entitlement Offer will rank equally with issued Shares.

Consider the Entitlement Offer in light of your particular investment objectives and circumstances

Please consult with your stockbroker, accountant or other independent professional adviser if you have any queries or are uncertain about any aspects of the Entitlement Offer.

You should also refer to the “Key Risks” section included in this Offer Booklet.

Timing of acceptance

To participate in the Entitlement Offer, your payment must be received no later than the close of the Entitlement Offer at 5:00pm (Sydney time) on 1 June 2012.

In this Offer Booklet, the period between the Entitlement Offer opening date and closing date is referred to as the Entitlement Offer Period

Complete and return the accompanying Entitlement and Acceptance Form with your Application Monies or make a payment by DIRECT CREDIT

If you decide to take up all or part of your Entitlement or apply for Additional New Shares, please complete and return the Entitlement and Acceptance Form with the requisite Application Monies OR pay your Application Monies via DIRECT CREDIT by following the instructions set out on the Entitlement and Acceptance Form.

Carbon Polymers will treat you as applying for as many New Shares as your payment will pay for in full, subject to any scale-back it may determine to implement, in its absolute discretion, in respect of Additional New Shares. Amounts received by Carbon Polymers in excess of your Entitlement (Excess Amount) may be treated as an application to apply for as many Additional New Shares as your Excess Amount will pay for in full. If you are paying by DIRECT CREDIT, please make sure to use the unique Customer Reference Number (CRN) on the back of your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form, please only use the CRN specific to the Entitlement on that Form. If you inadvertently use the same CRN for more than one of your Entitlements, you may be deemed to have applied only for Additional New Shares on the Entitlement to which that CRN applies.

Entitlements cannot be traded or otherwise transferred on the ASX or any other exchange or privately.

If you take no action, you will not be allocated New Shares and your Entitlement will lapse. Your Entitlement to participate in the Entitlement Offer is non-renounceable and will not be tradeable or otherwise transferable. Shareholders who do not take up their Entitlements in full will not receive any payment or value for those Entitlements they do not take up.

If you take up and pay for all or part of your Entitlement before the close of the Entitlement Offer, you will be allotted your New Shares on 8 June 2012. If you apply for Additional New Shares then, subject to Carbon Polymers' absolute discretion to scale-back your application for Additional New Shares (in whole or part), you will be issued these on 8 June 2012. Carbon Polymers' decision on the number of New Shares to be allocated to you will be final.

Carbon Polymers also reserves the right (in its absolute discretion) to reduce the number of New Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claims prove to be overstated or if they or their nominees fail to provide information to substantiate their claims.

Acceptance of the Entitlement Offer

The method of acceptance of the Entitlement Offer will depend on your method of payment, being either:

- by DIRECT CREDIT; or
- by cheque, bank draft or money order.

By completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Monies or making a payment by DIRECT CREDIT, you:

- a) agree to be bound by the terms of this booklet and the rules of Carbon Polymers' constitution;
- b) authorise Carbon Polymers to register you as the holder(s) of the New Shares allotted to you;
- c) declare that all details and statements made in the Entitlement and Acceptance Form are complete and accurate;
- d) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement Offer;
- e) acknowledge that once Carbon Polymers receives the Entitlement and Acceptance Form or your payment by DIRECT CREDIT, you may not withdraw it except as allowed by law;
- f) agree to apply for, and be issued with up to, the number of New Shares that you apply for at the Offer Price of \$0.04 per New Share;
- g) authorise Carbon Polymers and its officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of Carbon Polymers' Share Registry upon using the contact details set out in the Entitlement and Acceptance Form;
- h) declare that you are the current registered holder(s) of the Shares in your name at the Record Date;
- i) acknowledge that the information contained in this booklet is not investment advice or a recommendation that New Shares are suitable for you, given your investment objectives, financial situation or particular needs;
- j) acknowledge the "Key Risks" section of the investor presentation included in this booklet;
- k) authorise Carbon Polymers and its directors to correct any errors in your Entitlement and Acceptance Form;
- l) represent and warrant that the law of any other place does not prohibit you from being given this booklet or making an application for New Shares; and

- m) represent and warrant that you are an Eligible Shareholder and have read and understood this Offer Booklet and the Entitlement and Acceptance Form and that you acknowledge the matters, and make the warranties and representations and agreements contained in this booklet and the Entitlement and Acceptance Form.

In addition, by completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Monies or making a payment by DIRECT CREDIT, you will be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:

- a) you are not in the United States and are not a U.S Person, and are not acting for the account or benefit of, a U.S. Person and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Entitlement Offer;
- b) you acknowledge that the Entitlements and the New Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdictions in the United States, or in any other jurisdiction outside Australia or New Zealand and accordingly, the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities laws; and
- c) you have not and will not send any materials relating to the Entitlement Offer to any person in the United States or that is a U.S. Person, or is acting for the account or benefit of a U.S. Person.

Payment by DIRECT CREDIT

For payment by DIRECT CREDIT please follow the instructions on the personalised Entitlement and Acceptance Form. You can only make a payment via DIRECT CREDIT if you are the holder of an account with an Australian financial institution that supports DIRECT CREDIT transactions.

Please note that should you choose to pay by DIRECT CREDIT:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make the declarations on that Entitlement and Acceptance Form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your DIRECT CREDIT payment is received by the Carbon Polymers by no later than 5:00pm (Sydney time) on 1 June 2012. Practically, given that DIRECT CREDIT closes at 4:00pm (Sydney time), you will need to ensure that your payment is received by that time. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment, and you should therefore take this into consideration when making payment.

Any Application Monies received for more than your final allocation of New Shares and Additional New Shares will be refunded 4 weeks after the close of the Entitlement Offer. No interest will be paid to Applicants on any Application Monies received or refunded.

Payment by cheque, bank draft or money order

For payment by cheque, bank draft or money order, you should complete your Entitlement and Acceptance Form in accordance with the instructions on the Form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies, payable to “Carbon Polymers Limited” and crossed “Not Negotiable”.

Your cheque, bank draft or money order must be:

- for an amount equal to AUD\$0.04 multiplied by the number of New Shares (including any Additional New Shares) that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies as your cheques will be processed on the day of receipt. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your Entitlement and Acceptance Form). Alternatively, your application will not be accepted.

Any Application Monies received for more than your final allocation of New Shares and Additional New Shares will be refunded 4 weeks after the close of the Entitlement Offer. No interest will be paid to Applicants on any Application Monies received or refunded.

Cash payments will not be accepted. Receipts for payment will not be issued.

Mail

To participate in the Entitlement Offer, your payment must be received no later than the close of the Entitlement Offer at 5:00pm (Sydney time) on 1 June 2012. Shareholders who make payment via cheque, bank draft or money order should mail their completed personalised Entitlement and Acceptance Form together with Application Monies to:

Att: Financial Controller
Carbon Polymers Limited
P.O Box A884
SYDNEY SOUTH NSW 1235

IMPORTANT INFORMATION

This booklet and enclosed personalised Entitlement and Acceptance Form have been prepared by Carbon Polymers. The information in this booklet is dated 8 May 2012.

No party other than Carbon Polymers has authorised or caused the issue of the information in this booklet, or takes any responsibility for, or makes, any statements, representations or undertakings in the information in this booklet.

The information in this booklet is important and requires your immediate attention.

You should read the information in this booklet carefully and in its entirety before deciding whether to invest in New Shares. In particular, you should consider the risk factors outlined in “Key Risks” section of this booklet, any of which could affect the operating and financial performance of Carbon Polymers or the value of an investment in Carbon Polymers.

Carbon Polymers has applied for the grant by ASX of official quotation of the New Shares. It is expected that normal trading will commence in relation to New Shares issued under the Entitlement Offer on 12 June 2012. Carbon Polymers disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares before the New Shares are listed on the official list of ASX or receiving their confirmation of issue, whether on the basis of confirmation of the allocation provided by Carbon Polymers or the Carbon Polymers Share Registry.

Not a prospectus

The Entitlement Offer complies with the requirements of section 708AA of the Corporations Act as notionally modified by ASIC Class Orders [CO 07/571] and [CO 08/35]. Neither this Offer Booklet nor the Entitlement and Acceptance Form are a prospectus for the purposes of the Corporations Act. Accordingly, these documents do not contain all of the information which a prospective investor may require to make an investment decision. They do not, and are not required to, contain all of the information which would otherwise be required to be disclosed in a prospectus. They are not required to be, and will not be, lodged with ASIC. This Offer Booklet should be read in conjunction with Carbon Polymers’ other periodic and continuous disclosure announcements to the ASX available at www.ASX.com.au.

The New Shares being offered under this booklet are being offered to Eligible Shareholders with registered addresses in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (NZ). This booklet is not an investment statement or prospectus under New Zealand law, and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Continuous disclosure

Carbon Polymers is a ‘disclosing entity’ under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules, including the preparation of annual reports and half-yearly reports.

Carbon Polymers is required to notify the ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the stock markets

conducted by the ASX. In particular, Carbon Polymers has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of its shares. That information is available to the public from the ASX.

Eligible Shareholders

The information in this booklet contains an offer of New Shares to Eligible Shareholders in Australia or New Zealand and has been prepared in accordance with section 708AA of the Corporations Act as notionally modified by ASIC Class Orders [CO 07/571] and [CO 08/35].

Eligible Shareholders are those holders of Shares who:

- are registered as a holder of Shares as at 5:00pm (Sydney time) on 16 May 2012;
- have a registered address in Australia or New Zealand;
- are not in the United States and are neither a U.S. Person nor acting for the account or benefit of a U.S. Person; and
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

Additional New Shares

Carbon Polymers reserves the right to allot any Additional New Shares to the extent that Carbon Polymers so determines in its absolute discretion, having regard to the circumstances as at the time of the close of the Entitlement Offer. Any New Shares in excess of Entitlements will be limited to the extent that there are sufficient New Shares from Eligible Shareholders who do not take up their full Entitlements or from New Shares that would have been offered to Ineligible Shareholders if they had been entitled to participate in the Entitlement Offer.

If you apply for Additional New Shares then, subject to Carbon Polymers' absolute discretion to scale-back your application for Additional New Shares (in whole or part), you will be issued these on 8 June 2012. Carbon Polymers' decision on the number of additional New Shares to be allocated to you will be final.

No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot, in most circumstances, withdraw your application for New Shares once it has been accepted.

No Entitlements trading

Entitlements are non-renounceable and cannot be traded on ASX or any other exchange, nor can they be privately transferred.

Not investment advice

The information in this booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC. Neither is it financial product advice, and it has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Carbon Polymers is not licensed to provide financial product advice in respect of the New Shares. The information in this booklet does not purport to contain all the information that you may require to evaluate a possible application for New Shares.

Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading the information in this booklet, you have any questions about the Entitlement Offer, you should contact your stockbroker, accountant or other independent professional adviser.

Taxation

Taxation implications will vary depending on the individual circumstances of individual investors. You should obtain your own professional advice before deciding whether to invest.

Rounding of Entitlements

Where fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of New Shares.

Information availability

Eligible Shareholders in Australia and New Zealand can obtain a copy of this booklet during the period of the Entitlement Offer on the ASX website at www.asx.com.au or by calling the Carbon Polymers Limited. Persons who access the electronic version of this booklet should ensure that they download and read the entire booklet. The electronic version of this booklet on the ASX website will not include an Entitlement and Acceptance Form. A replacement Entitlement and Acceptance Form can be requested by calling the Carbon Polymers Limited on 02 9756 0960 (within Australia) or +61 2 9756 0960 (from outside Australia) at any time from 9.00 to 5pm (Sydney time) Monday to Friday during the Entitlement Offer Period.

Neither the information in this booklet nor the accompanying Entitlement and Acceptance Form constitutes an offer of securities for sale in the United States or to persons that are, or are acting for the account or benefit of, a U.S. Person. Neither this information nor the accompanying Entitlement and Acceptance Form may be distributed to or relied upon by persons in the United States or that are, or are acting on behalf of or for the account or benefit of, a U.S. Person, or otherwise distributed in the United States.

Future performance and forward-looking statements

Neither Carbon Polymers nor any other person warrants or guarantees the future performance of the New Shares or any return on any investment made pursuant to the Entitlement Offer. Forward-looking statements, opinions and estimates provided in the information in this booklet or information released to the market are based on assumptions and contingencies which are subject

to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements including forecasts, projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of Carbon Polymers and the Board, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward-looking statements in this booklet.

Past performance

Investors should note that the past share performance of Carbon Polymers shares provides no guidance as to future price performance.

Governing law

This booklet, the Entitlement Offer and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the laws applicable in New South Wales, Australia. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

Foreign jurisdictions

The information in this booklet has been prepared to comply with the requirements of the securities laws of Australia and New Zealand.

The New Shares being offered under the information in this booklet are being offered to Eligible Shareholders with registered addresses in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). The information in this booklet is not an investment statement or prospectus under New Zealand law, and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

The information in this booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand. Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how to proceed.

The distribution of the information in this booklet (including an electronic copy) outside Australia and New Zealand is restricted by law. If you come into possession of the information in this booklet, you should observe such restrictions and should seek your own advice on such restrictions.

Any non-compliance with these restrictions may contravene applicable securities laws. The Entitlements and the New Shares have not been, or will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States. The Entitlements may

not be taken up by persons in the United States or by persons who are, or are acting for the account or benefit of a U.S. Person, and the New Shares may not be offered, sold or resold in the United States or to, or for the account or benefit of, a U.S. Person, except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and the applicable securities laws of any state or other jurisdiction in the United States. Accordingly, the New Shares may constitute “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and, for so long as the New Shares remain restricted securities, the New Shares may not be deposited in any unrestricted American Depositary Receipt facility with respect to the securities of Carbon Polymers.

Underwriting

The Rights Issue is not underwritten.

Option holders

Existing option holders will not be entitled to participate in the Entitlement Offer unless they:

- have become entitled to exercise their existing options under the terms of their issue and do so prior to the Record Date; and
- participate in the Entitlement Offer as a result of being a holder of Shares registered on the register of Carbon Polymers on the Record Date.

Disclaimer of representations

No person is authorised to give any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this booklet.

Any information or representation that is not in this booklet may not be relied on as having been authorised by Carbon Polymers, or its related bodies corporate in connection with the Entitlement Offer. Except as required by law, and only to the extent so required, none of Carbon Polymers, or any other person, warrants or guarantees the future performance of Carbon Polymers or any return on any investment made pursuant to the information in this booklet.

Withdrawal of Entitlement Offer

Carbon Polymers reserves the right to withdraw all or part of the Entitlement Offer and this Information at any time, subject to applicable laws, in which case Carbon Polymers will refund application monies in relation to New Shares not already issued in accordance with the Corporations Act and without payment of interest.

To the fullest extent permitted by law, you agree that any application monies paid by you to Carbon Polymers will not entitle you to any interest against Carbon Polymers and that any interest earned in respect of application monies will belong to Carbon Polymers.

KEY RISKS

The principal risks associated with an investment in Carbon Polymers include, but are not limited to, those detailed below.

Plant Expansion and Modernisation risk

Carbon Polymers intends to use funds raised under the Rights Issue to reduce debt, fund working capital requirements and the upgrade and modernisation of existing plants. Funds will also be used to expand capacity to new locations. There can be no guarantee that the planned upgrade and expansion programs will lead to increased commercial capacity resulting in net positive cashflows for the company.

No profit current year to date

It is not possible to evaluate Carbon Polymers' prospects based on past performance. While the board has confidence in Carbon Polymers' future revenue-earning potential, there can be no certainty that Carbon Polymers will achieve or sustain profitability or achieve or sustain positive cash flow from its operating activities.

Commodity price and exchange rate risk

The revenue Carbon Polymers may derive through the sale of products, should it be successful through its manufacturing activities, exposes its potential income to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of Carbon Polymers. These factors include, among others, supply and demand fluctuations for polymers and rubber, technological advancements, forward selling activities and other macro-economic factors. Further, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of Carbon Polymers are and will be taken into account in Australian dollars, exposing Carbon Polymers to the fluctuations and volatility of the rate of exchange.

Operational risk

Carbon Polymers' operations may be affected by various factors which are beyond its control. These include a failure to sell products, failure to achieve predicted output, operational and technical difficulties encountered in production, commissioning or operating plant, adverse weather conditions, industrial and environmental accidents, industrial disputes, fire, explosions and other incidents beyond its control. These risks could also result in damage to production facilities, personal injury, environmental damage, business interruption, and possible legal liability.

Future capital needs

Further funding of plant expansion and upgrades may be required by Carbon Polymers to support its on-going activities and operations. There can be no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain funding will adversely affect the business and financial condition of Carbon Polymers and, consequently, its performance. A failure to meet cash calls would result in default in joint venture obligations which, if not remedied, could result in forfeiture of permits or concessions.

Share price variations

The shares offered under the Rights Issue are to be quoted on ASX, where their price may rise or fall in relation to the Offer Price. The shares issued under the Rights Issue carry no guarantee in respect of profitability, dividends, return of capital, or the price at which they may trade on ASX. The value of the shares will be determined by the market and will be subject to a range of factors beyond the control of Carbon Polymers and its directors and officers. Such factors include, but are not limited to, the demand for and availability of shares, movements in domestic interest rates, exchange rates, fluctuations in stock markets and general domestic and economic activity. Returns from an investment in the shares may also depend on general stock market conditions as well as the performance of Carbon Polymers. There can be no guarantee that an active market in the shares will develop or that the market price of the shares will not decline below the Offer Price.

Economic factors

Changes in economic and business conditions or government policies in Australia or internationally may affect the fundamentals which underpin the projected growth of Carbon Polymers' target markets or its costs structure and profitability. Adverse changes in such things as the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), consumer spending and employment rates, among others, are outside the control of Carbon Polymers and may result in material adverse impacts on the business or its operating results.

Regulatory risk

Changes in relevant taxes, legal and administrative regimes and government policies in Australia and overseas may adversely affect the financial performance of Carbon Polymers. Any change to the current rate of company income tax in jurisdictions where Carbon Polymers operates will impact on shareholder returns. Any change to the current rates of income tax applying to individuals and trusts will similarly impact on shareholder returns. In addition, any change in tax arrangements between jurisdictions could have an adverse impact on profit margins and any future dividends.

Qualifying Statement

This release may include forward looking statements. These forward looking statements are based on Carbon Polymers' expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Carbon Polymers, which could cause actual results to differ materially from such statements. Carbon Polymers makes no undertaking to subsequently update or revise the forward looking statements made in this release, to reflect the circumstances or events after the date of this release.

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Stock Exchange Listing

Carbon Polymers ordinary shares are listed on the Australian

Securities Exchange (ASX) (Code: CBP)

Website

To view annual reports, shareholder and company information, news announcements, background information on Carbon Polymers' businesses and historical information visit Carbon Polymers' website at www.carbonpolymers.com.au

Carbon Polymers Share Registry

The Registrar

Computershare Investor Services Pty Limited

GPO Box 2975

Melbourne VIC 3001

Telephone: 02 9756 0960 (within Australia) and +61 (0)2 9756 0960 (outside Australia) open between 9.00 and 5.00pm (Sydney time) Monday to Friday during the Entitlement Offer Period.

Shareholders who make payment via cheque, bank draft or money order should mail their completed personalised Entitlement and Acceptance Form together with Application Monies to:

Att: Financial Controller

Carbon Polymers Limited

P.O Box A884

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