

10/05/2010 MON 17:31 FAX +61 3 9643 5999 malleasons 00017000

MALLESONS STEPHEN JAQUES

10 May 2010

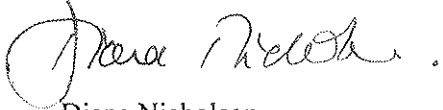
Mr Prem Nair	Company Announcements
Company Secretary	Office
Carbon Energy Limited	ASX Limited
Level 12, 301 Coronation Drive	200 Bridge Street
Milton QLD 4066	Sydney NSW 2000
Fax 07 3337 9945	Fax 1300 135 638

Dear Sirs

Notice of ceasing to be a substantial holder - CNX

We attach an executed 'Form 605 - Notice of ceasing to be a substantial holder' on behalf of Commonwealth Scientific and Industrial Research Organisation in relation to Carbon Energy Limited.

Yours sincerely



Diana Nicholson
Partner
Direct line +61 3 9643 4229
Email diana.nicholson@malleasons.com

Form 605

Corporations Act 2001
Section 671B

Notice of ceasing to be a substantial holder

To Company Name/Scheme Carbon Energy Limited

ACN/ARSN 057 552 137

1. Details of substantial holder (1)

Name Commonwealth Scientific and Industrial Research Organisation ("CSIRO")

ACN/ARSN (if applicable) N/A

The holder ceased to be a substantial holder on 07/05/2010

The previous notice was given to the company on 17/06/2009

The previous notice was dated 17/06/2009

2. Changes in relevant interests

Particulars of each change in, or change in the nature of, a relevant interest (2) of the substantial holder or an associate (3) in voting securities of the company or scheme, since the substantial holder was last required to give a substantial holding notice to the company or scheme are as follows:

Date of change	Person whose relevant interest changed	Nature of change (4)	Consideration given in relation to changes (5)	Class (6) and number of securities affected	Person's votes affected
07/05/2010	CSIRO	Off market sale	\$35,399,859 (\$0.60 per share)	58,999,765 ordinary shares	58,999,765

3. Changes in association

The persons who have become associates (3) of, ceased to be associates of, or have changed the nature of their association (7) with, the substantial holder in relation to voting interests in the company or scheme are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
N/A	

4. Addresses

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

Name	Address
CSIRO	5 Julius Avenue, North Ryde NSW 2113

Signature

print name Karl Rodrigues Capacity: Authorised representative

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 4 of the form.

(2) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.

(3) See the definition of "associate" in section 9 of the Corporations Act 2001.

(4) Include details of:

(a) any relevant agreement or other circumstances because of which the change in relevant interest occurred. 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.

(5) Details of the consideration must include any and all benefits, money 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.

(6) The voting shares of a company constitute one class unless divided into separate classes.

(7) Give details, if appropriate, of the present association and any change in that association since the last substantial holding notice.



This is a true copy of the relevant parts of the relevant agreement relating to the Notice of ceasing to be a substantial shareholder issued by Commonwealth Scientific and Industrial Research Organisation.¹

Signed

Dated

STRICTLY CONFIDENTIAL

Karl Rodrigues
Executive Manager, IP, Licensing & Technology Transfer Support:
CSIRO Operations
Riverside Corporate Park
5 Julius Avenue
North Ryde NSW 2113

24 March 2010

Dear Karl,

Carbon Energy limited

1. Introduction

I refer to your advice on Monday 22 March 2010, that a sub-committee of the CSIRO Board has agreed to the terms under which CSIRO would sell its interest in Carbon Energy Limited ("CNX") to the Pacific Road Resources Fund ("PRRF"). Pacific Road Capital Management ("PRCM") as manager and adviser to P Wis agreeable to those terms which are set out below in the following offer.

2. Offer

Offer to acquire 10% of the issued shares of CNX

PRRF offers to acquire 58,999,765 shares in CNX at a price of \$0.60 per share ("Offer").

Option over the remaining 4.8% of CNX shares held by CSIRO

In recognition and as a condition of the share price premium contained in the Offer, PRRF will be granted a call option over CSIRO's remaining 28,346,389 CNX shares ("Call Option"). The Call Option exercise price will be \$0.93 per share, exercisable on the date twenty four months from CSIRO's acceptance of this Offer or an earlier date if mutually acceptable to CSIRO, and PRRF.

Documentation of the terms and conditions of the Call Option must occur prior to the financial close of the sale and purchase of the initial 10% of the CNX issued shares.

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¹ Parts of this document which are not terms of the relevant agreement to sell shares in CNX have been redacted on the basis that they are confidential and do not impact the sale of shares or options over shares in CNX.

Offer available 5 days

This Offer is open for acceptance until Friday, 26 March 2010 on the terms set out herein.
The Offer may be accepted by CSIRO earlier.

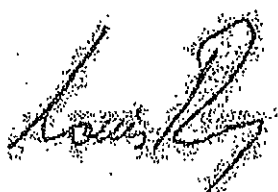
Offer is strictly confidential

This Offer is market sensitive and should be treated as strictly confidential.

Acceptance

If this Offer is acceptable to CSIRO please arrange for a duly authorised CSIRO Officer to sign and return the attached copy of this letter.

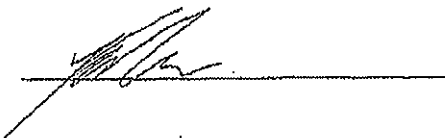
Yours sincerely



Louis Rozman

Director

CSIRO acknowledges receipt of your letter dated 24 March 2010, and its duly authorised officer confirms CSIRO's acceptance of the terms and conditions.



26/3/10
Date