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## ASX Announcements

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### **324 Chairman's Address at AGM 11/10/01**

**11/10/2001**

Ladies and Gentlemen,

On behalf of the Board of Directors of Carnarvon Petroleum I welcome you to the Annual Meeting of the Company.

I would like to bring you up to date with events since the circulation of our 2001 Annual Report to Shareholders.

The Company has recently concluded the sale of the majority of its Carnarvon Basin assets foreshadowed in the Annual Report. The Company now has the following assets:

- A 40% interest in the SW1A Concession in Central Thailand which is a producing (the Company's) core asset;
- A 25% interest in EP110 which is an onshore/offshore permit adjacent to the Tubridi Petroleum Retention Licences 4 and 5 in Papua New Guinea which are unlikely to be commercialised in the short to medium term. The Company is seeking buyers for this asset;
- An 11% interest in AusAm Resources, a public company which holds several oil and gas assets in the Perth Basin and is preparing to drill in late 2001.

With regard to SW1A, the Company and its Joint Venture partner, Pacific Tiger, drilled in May and June, both of which were oil discoveries and have resulted in a substantial amount of calculated Proven plus Probable Reserves to in excess of 10 million barrels of remaining recoverable oil.

The existing wells on the Concession have a capacity to produce at up to 400 barrels per day. The Joint Venture partners are keen to commercially exploit the additional reserves and have planned an initial development program consisting of drilling 4 new production wells in succession at locations deemed to be most prospective. If successful, the wells can be inexpensively brought into production increasing the field's production capacity to in excess of 1000 barrels of oil per day and enhancing the Joint Venture's cash flows. Follow up drilling is planned to include some 10 to 15 additional wells on the Concession.

With this in mind, Carnarvon Petroleum issued a Prospectus on 31 August 2001 in which it raised some \$2.8 million in working capital via the issue of 40 million shares at 7 cents each, attaching options exercisable at 25 cents each. Part of the funds raised would have been used by the Company to fund its share of the initial development program in SW1A.

At the time, Carnarvon and the sponsoring broker were confident of raising those funds. However, the world has changed substantially in recent weeks. Sentiments in the investment market have deteriorated significantly since the Company released its Prospectus. The Company has not been immune to negative market sentiments, despite the Company's fundamentals remaining unchanged. In summary, these fundamentals are:

- The oil producing SW1A Concession is located in Thailand, a politically stable country;
- Thailand is unlikely to be affected by or involved in any anti-terrorist activities;
- The price of oil has stabilised and remains at attractive rates for the SW1A Joint Venture;
- The Joint Venture can sell all of its oil production and indeed would attract better prices for its crude once production rates increase.

Despite all of the above, due to the present negative sentiment in the stock market, have decided to withdraw the Prospectus and currently intend to pursue the following:

- Lower the pricing for new capital raising initiatives from 7 cents to 5 cents per share with free attaching options exercisable at 20 cents each rather than 25 cents each;
- Place approximately 6.5 million shares with free attaching options at the new price. Hartley Poynton who had expressed an interest in supporting the Company's original plan and
- Offer all further participation at the new pricing to existing shareholders via a renou rights issue. Such rights can be traded on the ASX thus giving shareholders who wish more than their entitlements the opportunity to acquire such rights from those shareholders not wish to participate.

All application monies forwarded to the Company by investors pursuant to the Prospectus returned as soon as practicable.

If fully subscribed, the rights issue will raise approximately \$1.5 million (before costs combined with the previously mentioned placement, will raise a total of approximately \$3 million. This will provide the Company with sufficient working capital to fund its share of the development program on SW1A. Any shortfall in the capital raising will mean a reduction in the number of wells to be drilled on SW1A. It is anticipated that, if successful, the wells will be achieving payback periods of less than 1 year. Your Directors therefore encourage shareholders to support the Company's endeavors to increase production and resultant cash flow.

On proceeding with a rights issue, a new prospectus will be lodged with ASIC and will be available to shareholders. Shareholders who wish to participate in the rights issue will need to complete the application form that will accompany the rights issue prospectus.

Carnarvon Petroleum has identified other growth prospects similar to the project in 1 However, the Company is focused on making SW1A a successful venture and the directors are there to achieve this objective. Further acquisitions will be considered once investment sentiments improve.

The Board of Carnarvon Petroleum again would like to thank Shareholders for their support and encourage all shareholders to participate in our new capital raising strategy. The directors are quietly confident will grow the Company to a profitable position.

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