



CARNARVON  
PETROLEUM  
LIMITED  
ABN 60 002 688 851

## CARNARVON PETROLEUM LTD

### CHAIRMAN'S ADDRESS

#### Extraordinary General Meeting, 17 March 2004

Ladies and Gentlemen,

On behalf of the Board of Directors of Carnarvon Petroleum I welcome you to this Extraordinary General Meeting of the Company. This meeting has been called to seek shareholder approval of three resolutions.

**Resolution 1 – Approval of the issue of securities**

**Resolution 2 – Approval of the grant of options**

**Resolution 3 – Approval of grant of options to Dalkeith Resources Pty Ltd**

Before we consider these resolutions today, I would like to advise shareholders that the Company is awaiting data for stabilized flow rates from the WBN-7 and WBN-8 wells drilled as part of the Phase III development of the Wichian Buri Oil Field. The Operator, Pacific Tiger, is currently conducting production testing of the wells and we will provide

this data to shareholders as soon as it is available. The installation of oil production facilities at both WBN-7 and WBN-8 was completed on March 9. Sucker rods, down hole pump and pressure gauges were run in both wells. Subsequently pumping operations commenced to clean-out drilling mud and completion fluid from the wells. The Operator expects that stabilized oil production rates will be established over the next week.

Shareholders will also be aware that the Company's non-renounceable rights issue closed on March 5 fully subscribed and we thank shareholders for continuing to support the activities of the Company.

Since the Annual General Meeting, the Company participated in the drilling of exploration well Huai Phai-1 (HP-1) in December, the first well in the three-well Phase III Program. After initial indications of crude oil both on the electric logs and RFTs, and on production testing, the Joint Venture participants reached the view that production from this well was unlikely to be at commercial rates.

The Company also announced the resignation of the former Managing Director and Chief Executive Officer Dr Ken Tregonning from the Board on January 5 2004. The Company once again thanks Dr Tregonning for his contribution.

My fellow directors and I thank you for your continuing support and ask that you favourably consider all resolutions to be put at today's meeting

### **Resolution 1 – Approval of the issue of securities**

The Company issued 29,599,148 ordinary shares at 3.3 cents per share on 29 January 2004 to clients of Australian broking houses, as part of the Company's current program of obtaining additional investor finance for working capital and to fund its share of Wichian Buri Oilfield development. The funds have been used to help finance the Phase III drilling operations in Thailand.

The Listing Rules of the ASX regulate the number of securities a company can issue in a year. In summary, Listing Rule 7.1 provides that the Company must not issue more than 15% of its issued capital in any 12 month period without shareholder approval. However, under Listing Rule 7.4, the Company may seek subsequent approval to specified issues of securities, and if that approval is granted, such issues do not count toward the 15% limit.

The issue of the securities noted above *did not* require shareholder approval under Listing Rule 7.1. However, the Board nonetheless seeks subsequent shareholder approval for the issue so that it will not be counted in determining whether any future issues of securities will exceed the Listing Rule limits discussed above.

The Board believes that it is in the best interests of the Company that it maintains its ability to issue up to a full 15% of the issued capital of the Company, so that the Company may raise additional capital for its purposes and to take advantage of

commercial opportunities that may arise in the course of the Company's activities as and when those opportunities arise.

***The Board recommends that members vote in favour of the resolution.***

### **Resolution 2 – Approval of the grant of options**

The Company agreed, subject to shareholder approval, to grant 14,799,574 options, each to subscribe for one fully paid ordinary share in the capital of the Company, to the participants of the issue, which is the subject of approval under Resolution 1 (namely, clients of Australian broking houses). Each participant will be granted one option for every 2 fully paid ordinary shares issued to it pursuant to the placement dated 29 January 2004.

The options will be granted on the following terms:

- no amount is payable on grant of the options;
- the exercise price is 6 cents per option;
- the options will vest immediately;
- the options may be transferred at any time in whole or part;
- the options will not give rise to any dividend entitlement;
- the options may be exercised in whole or in part at any time before 31 December 2005. Any options which are not exercised by 31 December 2005 will lapse;
- the entitlement to shares arising from the options will be adjusted to take into account any capital reorganisation of the Company;
- the options will be listed on the ASX,

- the options will be granted on Thursday 18 March 2004.

The Listing Rules of the ASX regulate the number of securities a company can issue in a year. In summary, Listing Rule 7.1 provides that the Company must not issue more than 15% of its issued capital in any 12 month period without shareholder approval.

The Board believes that it is in the best interests of the Company that approval under Listing Rule 7.4 be sought for the grant of the options so that it maintains its ability to issue up to a full 15% of the issued capital of the Company. This will enable the Company to raise additional capital for its purposes and to take advantage of commercial opportunities that may arise in the course of the Company's activities as and when these opportunities arise.

***The Board recommends that members vote in favour of the resolution.***

### **Resolution 3 – Approval of grant of options to Dalkeith Resources Pty Ltd**

Dalkeith Resources Pty Ltd trading as Dalkeith Corporate provided consulting services to the Company in relation to the placement made to clients of Australian broking houses on 29 January 2004 and the recent non-renouncable rights issue to shareholders.

The Board has determined that it will grant 1,000,000 options to Dalkeith Resources Pty Ltd, each to subscribe for one fully paid ordinary share in the capital of the Company, as

full payment for performance of the consulting services provided to the Company. The options will be granted on the following terms:

- no amount is payable on grant of the options;
- the exercise price is 6 cents per option;
- the options will vest immediately;
- the options may be transferred at any time in whole or part;
- the options will not give rise to any dividend entitlement;
- the options may be exercised in whole or in part at any time before 31 December 2005. Any options which are not exercised by 31 December 2005 will lapse;
- the entitlement to shares arising from the options will be adjusted to take into account any capital reorganisation of the Company;
- the options will be listed on the ASX.

The Company notes that the terms of these options are identical to the terms of the grant of options to participants of the issue of shares pursuant to resolution 2.

These options will be issued to Dalkeith Resources Pty Ltd no later than 3 months after the date of this meeting.

The Listing Rules of the ASX regulate the number of securities a company can issue in a year. In summary, Listing Rule 7.1 provides that the Company must not issue more than 15% of its issued capital in any 12 month period without shareholder approval.

The Board believes that it is in the best interests of the Company that approval be sought under Listing Rule 7.4 so that it maintains its ability to issue up to a full 15% of the issued capital of the Company. This will enable the Company to raise additional capital for its purposes and to take advantage of commercial opportunities that may arise in the course of the Company's activities as and when these opportunities arise.

***The Board recommends that members vote in favour of the resolution.***

If there is no other business I would like to thank shareholders for attending today's meeting and propose that this meeting be closed.