

Carnarvon Chief Executive



29 June 2011

Retirement of Chief Executive Officer and Managing Director

Carnarvon Petroleum Limited (Carnarvon) Chairman Peter Leonhardt advises that the Company's Chief Executive Officer and Managing Director, Mr Edward (Ted) Jacobson will retire as an executive of the Company with effect from 30 June 2011.

With the unanimous support from the Board, Mr Leonhardt is pleased to advise that Mr Jacobson has accepted an invitation to act as a Non Executive Director with effect from 1 July 2011.

Mr Leonhardt is also pleased to advise that Mr Jacobson has agreed to make available his services to the ongoing management, to the extent required, on a consultancy basis.

Succession planning

At Mr Jacobson's instigation, the Board initiated a succession plan some time ago and identified a number of appropriate candidates for the role. During this process the Board identified Mr Adrian Cook, currently Carnarvon's General Manager (Corporate) as a preferred candidate. At the time Mr Cook was the Chief Executive Officer and Managing Director of ASX listed oil and gas producer and explorer Buru Energy Limited.

Mr Leonhardt is pleased to advise that the Board has now appointed Mr Cook as the Company's Chief Executive Officer and Managing Director with effect from 1 July 2011. Mr Cook's appointment provides a smooth transition of the Chief Executive Officer and Managing Director role given his involvement in the business to date.

Simultaneously, Mr Philip Huizenga, currently Carnarvon's General Manager (Operations) will take on a broader business oriented, growth focused role in the Company.

Carnarvon's Chairman

Mr Leonhardt praised Mr Jacobson's vision and drive over the last five years in growing the Company into a significant oil producer and regionally diversified explorer. In doing so Mr Jacobson has set the Company up for growth into the future.

Mr Leonhardt said "Ted made it clear to the Board on his appointment some five years ago that his tenure was not intended to be for the long term. However, Carnarvon and its shareholders have enjoyed the benefits of his leadership for longer than Ted expected. Some time ago Ted asked for the Board to commence planning for his succession and we are now pleased to be able to effect this in a seamless manner."

Mr Leonhardt welcomed Mr Cook to the Board and said “we have been fortunate in having had the time to manage the succession of the Chief Executive Officer and Managing Director. In managing this succession we have also been lucky to attract someone of Mr Cook’s calibre prior to making the appointment. Similarly, Mr Cook has had the time to consider Carnarvon, its business, people and culture prior to accepting the role. We believe this process has produced the most appropriate and stable succession arrangement possible. Mr Cook will undoubtedly bring a new focus, style and vision to the business in time, but for the immediate future the Company’s focus will remain in the execution of the projects that it currently has on foot.”

Outgoing CEO and Managing Director

Mr Jacobson said “my decision to step back from the day to day running of the business does not lessen my view of its growth potential and I whole heartedly support the ongoing management team in my roles as a non executive director, consultant and, importantly, as a major shareholder. I have very much enjoyed working with the Board and management in growing the Company and look forward to maintaining that association for many years to come.”

Incoming CEO and Managing Director

Commenting on his new appointment, Mr Cook said “Ted has made an enormous contribution to Carnarvon and I look forward to building on the suite of assets that he has acquired for the benefit of the Company’s shareholders. I am also committed to working closely with Phil Huizenga and the rest of the management to grow the business into the future. Initially our focus will be on maximising the value of the existing portfolio of production and exploration assets currently held by the Company. In time I also envisage balancing organic growth with acquisitions as we see them adding value for shareholders. Ultimately, however, whilst we want to build and diversify our production base, our roots are in exploration and we see this as a key driver for adding value in the future.”

Attachments

- Attachment A: Summary of key terms of engagement

Contacts

For further information please contact the Company on the details provided below:

Mr Peter Leonhardt
Carnarvon Petroleum Limited Chairman
Mobile: 0419 042 299

Carnarvon Petroleum Limited

Ground Floor, 1322 Hay Street, West Perth WA 6005

PO Box 99, West Perth WA 6872

Telephone: 08 9321 2665, Fax: 08 9321 8867

Email: admin@cvn.com.au, www.carnarvon.com.au

Attachment A: Summary of key terms of engagement

Carnarvon's remuneration principles are designed to attract, retain and incentivise the most appropriate people for the Company having regard to factors such as international and domestic employment conditions and remuneration packages of comparable roles in comparable companies, as well as shareholder and broader market views on remuneration principles. The Board is of the view that the terms of engagement outlined below are consistent with current industry practice and are in line with ASX corporate governance guidelines.

Remuneration - Fixed Component

Mr Cook will be provided with an initial fixed component of \$500,000 plus superannuation at the rate of 9%. The Fixed Component will be reviewed annually consistent with the Company's practice for all employees.

Remuneration – Short Term Incentive Component

Mr Cook is entitled to participate in the Company's short-term incentive plan that provides for a maximum bonus of 50% of the Fixed Component of his remuneration package. Of the 50% limit, half is determined according to a suite of annually determined, Board approved, business focused key performance indicators while the other half is determined at the discretion of the Board based on the individual's performance and effectiveness in generating shareholder value as reflected in the Company's share price.

The extent to which Mr Cook is entitled to receive any bonus will be assessed at the same time as bonuses are generally assessed for the Company. The Board will determine at its discretion the composition of any bonus in terms of cash or shares issued in the Company.

Remuneration – Long Term Incentive Component

The Board has made an offer to Mr Cook to acquire shares in the Company under the Company's existing Employee Share Scheme having regard to the fair value of the offer relative to the Fixed Component above. Under the Employee Share Scheme the Board has, at its discretion, made the Offer using a three month volume weighted average price ("VWAP"), resulting in an issue price premium of around 35% to the current share price. In addition, the Board also exercised its discretion in extending the period in which the executive is restricted in dealing in the shares to one third in the second year after issue, one third in the third year and the balance in the fourth year.

As a consequence, Mr Cook will acquire 3,000,000 shares at a three month VWAP of \$0.23 per share.

The Board may also consider share based incentive issues in the future as it considers appropriate.

Impact of a change of control event

On a change of control event occurring, an allocation of any short term incentive entitlements for the period up to the control event will be made and all entitlements under the Employee Share Plan will vest according to the rules of that plan.

Term

Mr Cook has been appointed to the position of Chief Executive Officer and Managing Director of Carnarvon Petroleum Limited for an indefinite term.

Termination

The employment of Mr Cook may be terminated in the following circumstances:

1. By Carnarvon giving 12 months' notice of its intention to termination Mr Cook's employment or 6 months' notice given by Mr Cook. A material downgrading in the nature of Mr Cook's duties, status or rewards or if he is removed as a director will be treated as Carnarvon giving notice of termination. Carnarvon may pay Mr Cook in lieu of him serving out his notice period;
2. Carnarvon may immediately terminate Mr Cook's employment if, amongst other things, he commits a serious or wilfully persistent breach of the Executive Employment Agreement or is found guilty of serious or wilful misconduct in the discharge of his duties;
3. Carnarvon may terminate Mr Cook's employment if he suffers total or permanent disablement; and
4. Carnarvon may terminate Mr Cook's employment on 3 months notice if he becomes incapacitated due to illness, accident or other cause which render him unable to perform his duties.