



Carnarvon Petroleum NL

ABN 60 002 688 851

Notice of Annual General Meeting 2002

Notice is given that the Annual General Meeting of
Carnarvon Petroleum NL will be held at The Seminar Room,
1st Floor, Conference Centre, Central Park,
152-158 St George's Terrace, Perth, Western Australia
on Thursday, 14 November 2002 at 9.30am

Registered Office: Suite 3, Level 18, 152-158 St. George's Terrace, PERTH WA 6000

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Notice of General Meeting

Notice is given that the annual general meeting of Carnarvon Petroleum NL will be held in the Seminar Room, 1st Floor, Conference Centre, Central Park, 152-158 St George's Terrace, Perth, Western Australia, on Thursday, 14 November 2002 at 9.30am.

AGENDA

ORDINARY BUSINESS

Financial Report

To receive and consider the financial and other reports for the year ended 30 June 2002.

To elect two Directors

- 1 To consider and, if thought fit, to pass the following resolution as an ordinary resolution:
"That Mr Andrew Shelton, having been appointed a Director of the Company on 1 April 2002 and, having retired in accordance with article 6.1(e) of the Company's constitution and being eligible, is re-elected as a Director of the Company".
- 2 To consider and, if thought fit, to pass the following resolution as an ordinary resolution:
"That Mr David Orth, being a Director of the Company who retires by rotation in accordance with article 6.1(f) of the Company's constitution and being eligible, is re-elected as a Director of the Company".

Special Business

Conversion to a public company limited by shares, change of name and adoption of new constitution:

- 3 To consider and, if thought fit, to pass the following resolution as a special resolution:
"That:
 - (a) the Company be converted from a public no liability company to a public company limited by shares; and
 - (b) as from the date that the Australian Securities and Investments Commission alters the details of the Company's registration:
 - (1) the Company change its name from 'Carnarvon Petroleum NL' to 'Carnarvon Petroleum Limited'; and
 - (2) the existing constitution of the Company be repealed and replaced with the new constitution submitted to the meeting and signed by the Chairman for identification."

Grant of options to Dr. Kenneth Tregonning

- 4 To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That approval be given to the grant of 10,000,000 options to Dr. Kenneth Tregonning, Managing Director and Chief Executive Officer of the Company, upon the terms and conditions set out in the Explanatory Notes accompanying the Notice convening this meeting."

Grant of options to Non-Executive Directors in lieu of a portion of their Directors' fees

- 5 To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That approval be given to the grant of up to 2,100,000 options to the Company's current Non-Executive Directors, Mr Andrew Shelton and Mr Neil Fearis, upon the terms and conditions set out in the Explanatory Notes accompanying the Notice convening this meeting."

Increase in Directors' fees

- 6 To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, pursuant to article 6.3(a) of the Company's constitution, with effect from the date of this resolution, Non-Executive Directors be paid out of the property of the Company for their services as Directors, an aggregate sum not exceeding \$200,000 per year, being an increase in \$100,000 from the sum of \$100,000 per year."

BY ORDER OF THE BOARD

Leonard Tronccone

Secretary

9 October 2002

Notes:

- 1 In accordance with the ASX Listing Rules, the Company will disregard any votes cast on resolutions 4, 5 and 6 by any Director or any of his or her associates, except where any such vote is cast by the Director or his or her associate as proxy for a person who is entitled to vote, in accordance with directions on the proxy form.
- 2 On a poll, shareholders have one vote for every fully paid ordinary share held.
- 3 A member entitled to attend and vote is entitled to appoint two proxies. If it is desired to appoint two proxies, then an additional proxy form can be obtained from the Carnarvon Petroleum NL Share Registry by telephoning (61 8) 9323 2000.
- 4 Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion or number of the member's voting rights and neither proxy is entitled to vote on a show of hands if more than one proxy attends.
- 5 A proxy need not be a member of the Company.
- 6 Proxy forms must be signed by a member or the member's attorney or, if a corporation, executed under seal or in accordance with section 127 of the Corporations Act 2001.
- 7 Proxy forms (and if the appointment is signed by the appointor's attorney, the original authority under which the appointment was signed or a certified copy of the authority) must be received by either the Company at its registered office: Suite 3, Level 18, 152-158 St. George's Terrace, Perth WA 6000, or at its Share Registry, Computershare Investor Services Pty Limited, Level 2, Reserve Bank Building, 45 St. George's Terrace, Perth WA 6000, or by facsimile on (61 8) 9323 2033, not less than 48 hours before the time for holding the meeting.
- 8 The Board has determined, in accordance with the Company's constitution and the Corporations Regulations, that a shareholder's voting entitlement at the meeting will be taken to be the entitlement of that person shown in the register of members as at 7.00pm, Perth time, on Tuesday, 12 November 2002.

Explanatory Notes to Shareholders

Resolutions 1 & 2 – Election of Directors

Under article 6.1(d) of the Company's constitution, the Directors may appoint any natural person to be a director either as an addition to the existing Directors or to fill a vacancy. Under article 6.1(e), any person so appointed (other than the Managing Director) must retire from office at the next general meeting following his appointment.

Mr Andrew Shelton was appointed a Director and Chairman following the retirement of the previous Chairman on 1 April 2002. In accordance with article 6.1(e), Mr Shelton now retires and seeks shareholder approval for his re-election.

Under article 6.1(f) of the Company's constitution, one-third of the Directors (after excluding any director who is required to retire at the meeting under article 6.1(e) and any Managing Director) must retire from office and can seek re-election.

Mr David Orth retires by rotation in accordance with article 6.1(f) of the Company's constitution. In accordance with the ASX Listing Rules and the Company's constitution, and being eligible, Mr Orth offers himself for re-election as a Director. Shareholder approval is sought to reappoint Mr Orth as a Director of the Company.

Resolution 3 – Conversion to a public company limited by shares, change of name and adoption of new constitution

Conversion to a public company limited by shares

The current status of the Company is a public no liability company.

In order to allow the Company to expand its operations beyond mining and exploration activities, for example energy generation, the Board proposes that the Company change its status to a public company limited by shares.

All of the Company's shares currently on issue are fully paid up. Therefore the change in status to a limited liability company will not disadvantage any shareholder as there will be no amount owing on the shares.

To change the Company's status, shareholders must also approve an appropriate change to the Company's name and any necessary amendments to the Company's constitution (see details below).

Once the change of status is approved by the shareholders, the Company must lodge an application with the Australian Securities and Investments Commission (ASIC) to change the Company's status from a public no liability company to a public company limited by shares.

Upon receipt of the application, ASIC will publish a notice in the Commonwealth Government Gazette. One month after the notice has been published, ASIC will alter the details of the Company's registration and will issue a new certificate of registration. It is from this date that the

change of company status, change of company name and the new constitution will take effect.

Change of Company name

As a result of changing company status, the Company needs to change its name from "Carnarvon Petroleum NL" to "Carnarvon Petroleum Limited" to reflect that the liability of members is limited.

New constitution

The current constitution, which was last amended by shareholders on 15 October 1998, does not reflect recent changes to the Corporations Act 2001 (the Act) and the ASX Listing Rules. In addition, as a result of the change of status of the Company, a new constitution would need to be adopted to reflect that liability attached to the shares is now limited.

The principal changes are discussed below:

Definitions

The constitution has been amended by importing the definitions in the Act and Listing Rules. The interpretation provisions have been expanded to provide the Company with broader corporate powers.

Shares

The concept of par value has been abolished. Accordingly references to par value, nominal value, share premium and the share premium account have been deleted and the meaning of 'amount paid' on a share has been clarified in the new constitution.

The non-marketable parcel sale provision has been amended to include a power for the Company to divest holdings of less than a marketable parcel where the relevant holding is created by a transfer of shares registered after adoption of these rules. This is consistent with changes to the Listing Rules.

The provision dealing with implementing changes to share capital provides a broader discretion to directors, including in dealing with fractional share entitlements.

General Meetings

The new constitution reflects requirements of the Act relating to the convening of general meetings, the content of the notice of meetings and the period of notice required to be given to members (currently 28 days).

Rule 26(c) provides that, unless permitted by the Act, no business can be transacted at a general meeting unless the general nature of the business has been stated in the notice of meeting and that only business within the scope of any resolution set out in the notice may be transacted at the meeting. In addition, no amendment may be moved to a resolution of which notice has been given, except with the approval of the chair. This is intended to protect the interests of members who appoint a proxy to attend on their behalf.

Rule 27(b) permits the Directors to change the venue for a meeting if they consider the proposed venue to be impracticable. **Rules 30(j)** and **(k)** will clarify the ability of the Company to hold a meeting in more than one venue using technology.

Proxies

The constitution reflects the provisions of the Act as to the content of a proxy and the requirements for lodging of proxies.

Directors

Rule 34 provides that the minimum and maximum number of directors as 3 and 12 respectively.

Rule 35 reflects the provisions of the Listing Rules relating to the time for lodging nominations for election as a director being at least 35 business days before the relevant meeting, to allow for the 28 days' notice period for general meetings.

Rule 35 also provides that one third of directors (rounded down to the nearest number) must retire from office (excluding the managing director and any director otherwise required to stand for re-election such as a director appointed to fill a casual vacancy) at each AGM and may stand for re-election.

Rule 37 contains provisions relating to directors' remuneration that are similar to the current articles of association. The total annual fees of non-executive directors must not exceed the aggregate amount fixed by the Company in general meeting, which at the date of this meeting is \$100,000. The Directors are seeking an increase to this aggregate amount (see resolution 5).

The Rule also clarifies that:

- in calculating the maximum fees payable:
 - (a) any premium paid in relation to directors' and officers' insurance; and
 - (b) superannuation contributions made to comply with superannuation guarantee legislation, are excluded; and
- remuneration may be other than cash (eg shares in the Company).

The constitution reflects the provisions of the Act that oblige directors to disclose material personal interests they may have in a matter that relates to the affairs of the Company.

Access, Indemnity and Insurance

The Act includes a statutory right of access to company books for past and present directors. **Rule 63** acknowledges the right of directors to inspect or obtain a copy of documents brought into existence or referred to during the period the person is a director of the Company.

Amendments were also made to the Act to clarify the circumstances in which a company may indemnify officers.

Rule 64 permits indemnification of former officers of the Group at the directors' discretion, in addition to providing an indemnity to the directors, secretary and executive officers to the full extent permitted by law for liabilities incurred as an officer of the Group consistent with existing article 12.1.

Rule 64(c) continues to permit the Company to pay premiums to insure persons who are or have been Group officers against liability incurred as officers in circumstances permitted by the Act.

The rule also authorises the Company to enter into deeds to give effect to the rights to access, indemnification and insurance. The Company proposes to enter into Directors' Deeds consistent with these rules following shareholder approval of the new constitution.

Company Seal

The constitution seeks to provide flexibility for the Company to retain a common seal, which is now optional under the Act, while being able to utilise the new provisions of the Act allowing for companies to execute documents in other ways.

Dividends and Distributions

The dividend provisions have been expanded and clarified in light of changes to the Act. Specifically, rule 56 confirms the power of the directors to pay, rather than declare, interim and final dividends.

Partial Takeovers

The Corporations Act permits a company to include in its constitution a provision which enables the Company to refuse to register a transfer of shares under a partial takeover offer, unless a resolution is first passed by members approving the offer.

The existing articles of association inserted a partial takeover provision when they were adopted in 1998. This provision, however, was not renewed by the Company in 2001 and hence has ceased to have effect.

The proposed rule is essentially the same as the previous provision adopted by the Company but has been modified in accordance with amendments to the Corporations Act.

The provision ceases to have effect on 14 November 2005.

Members should consider:

- The provision requires that if a partial takeover bid is made for the Company, a share transfer to the offeror cannot be registered until shareholders approve the bid at a meeting held more than 14 days before the bid closes. If the meeting is not convened, the bid is taken to be approved. If the resolution to approve the bid is passed, transfers pursuant to the bid may be registered, but, if the resolution is lost, the bid is taken to be withdrawn.

- The provision does not affect a full takeover bid.
- Directors consider that members should be able to vote on whether a partial bid should proceed. Such a bid could allow control of the Company to change without giving members the opportunity to dispose of all of their shares for a satisfactory control premium. The right to vote on a partial bid may avoid members feeling pressure to accept the bid even if they do not want it to succeed.
- Advantages of this provision for members include that it will ensure that all members have an opportunity to study a partial bid proposal and vote on it at a general meeting and is likely to cause an intending offeror to structure its offer in a way which is attractive to a majority of shareholders.
- On the other hand, such a provision may discourage partial bids and may reduce any speculative element in the market price of the Company's shares arising from the possibility of a partial bid being made. The provision may also be considered to constitute an additional restriction on the ability of members to deal freely with their shares.
- The provision will allow Directors to ascertain members' views on a partial bid, but otherwise give no other advantage or disadvantage to the Directors as they remain free to make a recommendation whether a partial bid should be accepted. As at the day on which this statement was prepared, no Director is aware of any proposal by a person to acquire, or to increase the extent of, a substantial interest in the Company.
- Whilst takeover approval provisions have been in effect there have been no full or partial takeover offers for the Company. Therefore, there has been no example against which to review the advantages or disadvantages of the provisions for the Directors and the members, respectively.

Copy of proposed constitution

A copy of the proposed constitution may be obtained prior to the meeting from the Company's website www.carnarvon.com.au or by contacting the Company Secretary in writing at Suite 3, Level 18, 152-158 St. George's Terrace, Perth WA 6000, or by telephone on +61 8 9288 4522. A copy of the constitution will also be available for inspection at the meeting.

The Board recommends that shareholders approve the resolution.

Resolution 4 – Grant of options to Dr Tregonning

Under Listing Rule 10.14, shareholders of the Company are required to approve the proposed grant of options to Dr. Kenneth Tregonning.

It is proposed that the options will be granted to Dr Tregonning by the Board within 30 days of receipt of shareholder approval.

Accordingly, shareholders are being asked to approve the issue of a total of 10,000,000 options over unissued ordinary shares in the Company to Dr. Kenneth Tregonning, Managing Director and Chief Executive Officer of the Company, on the following terms and conditions:

- 1 Each option will be issued free and will entitle Dr Tregonning to subscribe for one fully paid ordinary share in the Company.
- 2 The options are exercisable as follows:
 - 3,500,000 at 15 cents;
 - 3,500,000 at 20 cents; and
 - 3,000,000 at 25 cents.
- 3 The options shall have the following vesting periods:
 - up to one-third of the options in each tranche listed above can be exercised on or before 12 months after their date of issue;
 - a further one-third of the options in each tranche listed above can be exercised between 12 and 24 months after their issue date; and
 - all the options in each tranche listed above can be exercised after the 24th month's anniversary after the issue date.
- 4 Any options not exercised before 5.00 pm (WST) on 31 May 2005 will automatically lapse.
- 5 The options are exercisable by notice in writing to the Company accompanied by payment of the exercise price.
- 6 All shares allotted on the exercise of the options will rank equally in all respects with the Company's then existing fully paid ordinary shares.
- 7 The options are freely transferable. The instrument of transfer must be in writing, signed by both parties and otherwise be in such form as the Board of the Company from time to time approves.
- 8 No application will be made to Australian Stock Exchange Limited (the "ASX") for Official Quotation of the options. The Company must apply for Official Quotation by ASX of all shares allotted pursuant to the exercise of options not later than 10 business days after the date of allotment.
- 9 Dr Tregonning may only participate in new issues of securities to holders of ordinary shares in the Company if an option has been exercised and shares allotted in respect of the options before the record date for determining entitlements to the issue. The Company must give at least 7 business days' notice to Dr Tregonning of any new issue before the record date for determining entitlements to that issue in accordance with the Listing Rules of ASX.

- 10 There will be no change to the exercise price of an option or the number of shares over which an option is exercisable in the event of the Company making a pro rata issue of shares or other securities to the holders of ordinary shares in the Company (other than a bonus issue).
- 11 If there is a bonus issue (the "Bonus Issue") to the holders of ordinary shares in the Company, the number of shares over which an option is exercisable will be increased by the number of shares which Dr Tregonning would have received if the option had been exercised before the record date for the bonus issue (the "Bonus Shares"). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.
- 12 If, prior to the expiry of any options, there is a reorganisation of the issued capital of the Company, options are to be treated in the manner set out in the Listing Rules of ASX.

The Company will not be providing any financial assistance to Dr Tregonning to assist with the exercise of options.

Dr Tregonning was previously issued 5,000,000 options at an exercise price of 20 cents each and expiring on 31 December 2003. This previous issue of options was approved by shareholders at an EGM held on 15 March 2001.

Mr Orth was also granted an identical number of options on identical terms and conditions as those issued previously to Dr Tregonning.

Dr Tregonning and Mr Orth have also participated in capital raisings conducted by the Company, where subscribers were issued shares with an option attached. Each Director's participation was approved by shareholders at a general meeting as set out below:

- Dr Tregonning was issued 1,366,667 options exercisable at 20 cents each expiring on 31 December 2002 as part of the Company's capital raising initiatives during the past financial year. Shareholder approval was obtained for the issue of options to Dr Tregonning at the AGM held on 11 October 2001.
- Mr Orth was issued 666,667 options exercisable at 20 cents each expiring on 31 December 2002 as part of the Company's capital raising initiatives during the past financial year. Shareholder approval was obtained for the issue of options to Mr Orth at the AGM held on 11 October 2001.

No other Director or their associates have previously been granted options on similar terms and conditions, however, Mr Shelton and Mr Fearis have also participated in capital raisings conducted by the Company where subscribers were issued shares with an option attached (further details are set out below in relation to resolution 5).

Resolution 5 – Grant of options to Non-Executive Directors in lieu of a portion of their Directors' fees

The Directors are seeking shareholder approval under Listing Rule 10.14 for the grant of up to 2,100,000 options to the Company's current Non-Executive Directors, Mr Andrew Shelton and Mr Neil Fearis. Under the proposal, the Non-Executive Directors will be permitted to take a portion of their annual Director's fees in the form of options as follows:

- Mr Shelton will be able to elect to take up to \$30,000 of his annual Director's fee in the form of options; and
- Mr Fearis will be able to elect to take up to \$20,000 of his annual Director's fee in the form of options.

The Board has received a Black Scholes valuation from an independent remuneration expert who has determined that the granting of 2,100,000 options exercisable at 20 cents each expiring on 30 June 2005 is worth approximately \$50,000. It is proposed that Non-Executive Directors who elect to take a portion of their fees in the form of options will do so within 30 days of receipt of shareholder approval.

Accordingly, shareholders are being asked to approve the issue of up to 2,100,000 options over unissued ordinary shares in the Company to the current Non-Executive Directors, Mr Shelton and Mr Fearis, in exchange for up to \$50,000 worth of their Director's fees, on the following terms and conditions:

- 1 The options will be granted to Non-Executive Directors who elect to take a portion of their Director's fees in the form of options and no additional fee is payable for the grant of each option. Each option will entitle Mr Shelton and Mr Fearis to subscribe for one fully paid ordinary share in the Company.
- 2 The options are exercisable at 20 cents each.
- 3 Any of the options not exercised before 5.00 pm (WST) on 30 June 2005 will automatically lapse.
- 4 The options are exercisable by notice in writing to the Company accompanied by payment of the exercise price.
- 5 All shares allotted on the exercise of the options will rank equally in all respects with the Company's then existing fully paid ordinary shares.
- 6 The options are freely transferable. The instrument of transfer must be in writing, signed by both parties and otherwise be in such form as the Board of the Company from time to time approves.
- 7 No application will be made to Australian Stock Exchange Limited (the "ASX") for Official Quotation of the options. The Company must apply for Official Quotation by ASX of all shares allotted pursuant to the exercise of options not later than 10 business days after the date of allotment.

- 8 Non-Executive Directors who take up their options may only participate in new issues of securities to holders of ordinary shares in the Company if an option has been exercised and shares allotted in respect of the options before the record date for determining entitlements to the issue. The Company must give at least 7 business days' notice to the Non-Executive Directors of any new issue before the record date for determining entitlements to that issue in accordance with the Listing Rules of ASX.
- 9 There will be no change to the exercise price of an option or the number of shares over which an option is exercisable in the event of the Company making a pro rata issue of shares or other securities to the holders of ordinary shares in the Company (other than a bonus issue).
- 10 If there is a bonus issue (the "Bonus Issue") to the holders of ordinary shares in the Company, the number of shares over which an option is exercisable will be increased by the number of shares which any Non-Executive Director who took up options would have received if the option had been exercised before the record date for the bonus issue (the "Bonus Shares"). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.
- 11 If, prior to the expiry of any options, there is a reorganisation of the issued capital of the Company, options are to be treated in the manner set out in the Listing Rules of ASX.

The Company will not be providing any financial assistance to Mr Shelton or Mr Fearis to assist with the exercise of options.

No Non-Executive Director has previously been issued options other than options attaching to capital raisings conducted by the Company in which the Director's participation had previously been approved by shareholders at a general meeting as set out below:

- Mr Fearis was issued 400,000 options exercisable at 20 cents each expiring on 31 December 2002 as part of the Company's capital raising initiatives during the past financial year. Shareholder approval was obtained for the issue of options to Mr Fearis at the AGM held on 11 October 2001.
- Mr Shelton also received 833,334 options on the same terms and conditions as Mr Fearis. Mr Shelton was not a Director of the Company at the time of the issue of options and no shareholder approval was thus required.

Details of options previously granted to Dr Tregonning and Mr Orth are set out above in relation to resolution 4.

Resolution 6 – Increase in Directors' fees

The Directors are seeking approval from shareholders to increase the maximum aggregate amount available for Directors' fees from \$100,000 to \$200,000.

The Board has not sought an increase in Directors' aggregate pool of fees since the Company's initial registration over 18 years ago.

The proposed maximum amount will provide flexibility to allow for payment of appropriate fees over time and will accommodate any increase in the number of non-executive directors. It is the current Board's intention to seek the appointment of another non-executive director to reinstate a majority of non-executive directors to the Company's Board in accordance with good corporate governance practices. It will also ensure that the fees are sufficiently competitive to attract and retain Directors of appropriate experience, qualifications and calibre to the Board.

It is pointed out that the amount sought is the maximum aggregate amount and it is not the Board's intention to distribute all of the \$200,000, if approved, in the current year.

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on resolutions 4, 5 and 6 by any Director or his or her associates, except where any such vote is cast by the Director or his or her associates as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form.