



Carnarvon Petroleum NL

ABN 60 002 688 851

Prospectus



For a renounceable rights issue of approximately 30,994,282 New Shares at an issue price of 5 cents each and approximately 30,994,282 free attaching New Options on the basis of one New Share for every three Ordinary Shares held to raise approximately \$1.5 million

This document is important and requires your immediate attention. It should be read in its entirety. If you are in doubt as to the course you should follow, you should consult your stockbroker or other professional adviser.

Please read the instructions on the accompanying Entitlement and Acceptance Form if you wish to subscribe for the New Shares and the free attaching New Options to be issued pursuant to this Prospectus.

Corporate Directory

Directors

GHC White (Non-Executive Chairman)
KC Tregonning (Managing Director)
DJ Orth (Executive Director)
NC Fearis (Non-Executive Director)

Company Secretary

L Troncone

Registered Office

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263 Adelaide Terrace
Perth WA 6000

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Internet: <http://www.carnarvon.com.au>
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Share Registry - Australia

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St. George's Terrace
Perth WA 6000

Telephone: +61 8 9323 2000
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Share Registry - New Zealand

Computershare Registry Services Limited
Private Bag 92119
AUCKLAND 1020

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Stock Exchange Listing

Carnarvon Petroleum NL is listed on both the Australian and New Zealand Stock Exchanges.
ASX Code: CVN
NZSE Code: CVN

Important Notice

This Prospectus is dated 16 October 2001. A copy of this Prospectus was lodged with the ASIC on 16 October 2001. The ASIC takes no responsibility as to the contents of this Prospectus.

No securities will be allotted or issued on the basis of this Prospectus after the expiry date of 16 November 2002.

This is an important document. Before deciding to apply for the New Shares and attaching New Options you should consider whether they are a suitable investment for you. Persons wishing to subscribe for the securities offered by this Prospectus should carefully read this Prospectus and consult their professional advisers for the purpose of making an informed assessment of the effect of the Rights Issue on Carnarvon and the rights and liabilities attaching to, and the nature of, the New Shares and New Options offered by this Prospectus.



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Summary of Important Dates

Announcement of Rights Issue	16 October 2001
Existing Ordinary Shares quoted ex-Rights and Rights trading commences	24 October 2001
Record Date to determine entitlements to New Shares and New Options	30 October 2001
Rights trading ceases	19 November 2001
Last day for acceptance and payment in full	26 November 2001
Allotment and dispatch of holding statements for New Shares and New Options by	17 December 2001

Note: These dates are indicative only. The Company reserves the right to vary the closing date without prior notice.

A copy of this Prospectus can be downloaded from the website of the Company at www.carnarvon.com.au. Any person accessing the electronic version of this Prospectus for the purposes of making an investment in the Company must be a Shareholder with a registered address in Australian or New Zealand and must only access the Prospectus from within Australia or New Zealand. The Corporations Act prohibits any person distributing the Entitlement and Acceptance Form unless it is included in or accompanies a hard copy of this Prospectus, which may be obtained by contacting the Company.

Chairman's Letter

Dear Shareholder,

As you may know, on 31 August 2001, Carnarvon lodged a prospectus with the Australian Securities and Investments Commission for a share placement seeking to raise approximately \$2.8 million. Due to the events resulting from the recent terrorist attacks in the United States and the consequent volatility and uncertainty in financial markets, the Company has decided to withdraw the offer made under that prospectus and restructure its capital raising.

As part of that restructure, the Company is now offering Shareholders the opportunity to participate in a 1 for 3 renounceable rights issue to raise new equity for Carnarvon. For every 3 shares you presently hold, you are offered 1 new fully paid share at a price of 5 cents. In addition, each New Share carries with it a free option exercisable at 20 cents, which is intended to provide Shareholders with an immediate benefit that is likely to be enhanced by future success by the Company.

Simultaneously, the Company intends to place 6,450,000 shares with free attaching options to private investors introduced by a major Australian broking firm. This placement is expected to be completed shortly and investors who participate in the placement will also be entitled to participate in the rights issue. This placement will raise \$322,500 before costs and the funds will be used by the Company for working capital purposes.

Capital raised in the rights issue will be used as working capital by the Company to fund its share of the development drilling program in producing oil fields in Central Thailand in which the Company has a 40% interest. The development of these oil fields is consistent with the Company's change in strategic direction, from speculative exploration activity to a focus on oil and gas fields capable of producing immediate and substantial cash flows to the Company.

Despite the volatility in world capital markets, the Company's fundamentals remain unchanged and the directors are keen to progress the Company's prospects by drilling production wells on the SWIA Concession and improving cash flows.

Shareholders are urged to read this Prospectus carefully before deciding whether to participate in the rights issue.

Exploration for hydrocarbons is, by its nature, a speculative activity, but your directors are encouraged by the relatively low-risk potential targets that have been identified and believe these targets would, if the Company's exploration and development efforts are successful, mean a significant increase in the Company's value.

The directors of Carnarvon believe that the pricing of the rights issue is attractive and are unanimous in commending this rights issue to you and each director intends to take up his entitlement.

Yours sincerely,

CARNARVON PETROLEUM NL

George White
CHAIRMAN

16 October 2001



1. Investment Opportunity

In November 2000, Carnarvon announced a change in strategic direction, from speculative exploration activity to a focus on oil and gas fields capable of producing immediate and substantial cash flows to the Company.

To this end the Company appointed two executive directors, Ken Tregonning and David Orth, oil and gas engineering specialists with more than 40 years' combined experience of the global oil and gas exploration and production industry gained with international oil companies and in consulting roles.

The change in strategic direction and new Board appointments followed the purchase of a 40% participating interest in the SWIA Concession and its associated assets and titles. SWIA is located onshore in Central Thailand and contains two producing oil fields with production from existing wells Wichian Buri-1 (WB-1), WB-A1 and Si Thep-1, together with the infrastructure, downhole and surface equipment.

The investment in the SWIA Concession represents the first step in the Company's programme of expansion focusing on cash flow generated from oil and gas production. The cornerstone of this strategy is the acquisition of proven, undervalued assets with existing production, together with maximisation of the value of those assets through the cost-effective application of technical skills.

The first new well in the exploration areas, WB-N1, was a successful oil discovery and is currently shut-in pending the award of a production licence expected around early November 2001. The second well, WB-N2, was also oil productive, flowing naturally at more than 300 barrels of oil per day, and is currently producing via a beam pump.

These discoveries have resulted in a ten-fold upgrade of reserves in the SWIA Concession with a corresponding increase in value. Preliminary calculations indicate that Proved Reserves have been upgraded from 300,000 barrels of recoverable oil at the time of purchase of the asset to more than 4,000,000 barrels of recoverable oil. Most likely (Proved plus Probable) reserves in excess of 10,000,000 barrels have also been calculated.

A development drilling program will be undertaken over the course of the next few months to bring the increased reserves into production. The Company intends to drill 10 to 20 development wells at a rate of 1 to 2 per month within the next 18 months commencing in November 2001. The Company anticipates that the development drilling will increase production from the present capacity of around 400 barrels of oil per day to in the order of 4,000 barrels of oil per day. The achievement of this production rate is dependent upon the successful drilling of 20 wells, each producing an average of 150 to 250 barrels of oil per day. The significant increase in production will have a positive impact on net cash flow and hence on the Company's balance sheet. The Company is presently debt-free.

The Company will fund its initial development program by way of an equity raising and from its oil production income. The equity raising will be in the form of:

- a placement to private investors introduced by a major Australian broking house to raise \$322,500; and
- the Rights Issue.

The equity raising will also assist the Company in pursuing other similar production opportunities.

2. Key Terms of Rights Issue

2.1 The Offer

This is an offer of approximately 30,994,282 New Shares to the Shareholders of the Company who are registered on the Record Date. The New Shares are being offered on the basis of one New Share for every three Ordinary Shares then held. Each New Share will have one free attaching New Option.

Under the Rights Issue, Carnarvon is seeking to raise approximately \$1,550,000 (before costs).

2.2 Issue Price

The issue price is 5 cents per New Share and is payable in full on application. The New Options attaching to the New Shares are free.

2.3 Fractional Entitlements

Fractional entitlements will be rounded up to the nearest whole New Share or New Option. The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form.

2.4 Purpose of the Rights Issue

The net proceeds from the Rights Issue will be used as working capital to finance the exploration and development of permits in the Company's existing portfolio as well as look for new opportunities in acquiring proven or producing oil and gas fields to which the Company can add value through technical enhancements. Further details of the purpose of the Rights Issue are set out in this Prospectus.

2.5 Opening and Closing Dates

The Rights Issue will open for receipt of acceptances on 2 November 2001 and closes on 26 November 2001 ("Closing Date"). The Directors reserve the right to close the Rights Issue early or extend the Closing Date. Investors are therefore urged to lodge their Entitlement and Acceptance Forms as soon as possible.

2.6 Rights Trading

The Rights to the New Shares (and attaching New Options) are renounceable, which enables Shareholders who do not wish to take up some or all of the New Shares (and attaching New Options) to sell their Rights. Trading of Rights will commence on 24 October 2001 and will cease on 19 November 2001. Your Rights may be sold on the ASX between these dates should you choose not to accept your full entitlement to New Shares (and attaching New Options).

2.7 Acceptances

Eligible Shareholders may accept all or part of their entitlement.

Instructions for completion are set out on the accompanying Entitlement and Acceptance Form. Acceptance must not exceed your entitlement as shown on that form. Cheques should be made payable to "Carnarvon Petroleum NL – Rights Issue Account" and crossed "not negotiable".

You may acquire further Rights or dispose of your Rights during the Rights trading period. If you acquire further Rights, you should liaise with your broker to subscribe for the New Shares to which you will become entitled as a consequence of that acquisition.

2.8 Stock Exchange Listing

Application will be made within 7 days after the date of this Prospectus for the New Shares and New Options offered under this Prospectus to be granted official quotation by the ASX and NZSE.

If the New Shares and New Options are not admitted to quotation on the ASX and NZSE within 3 months after the date of this Prospectus, none of the New Shares or New Options offered under this Prospectus will be issued and allotted.

The ASX and NZSE take no responsibility for the contents of this Prospectus.

2.9 Rights Attaching to Shares

The New Shares issued will rank equally with existing Ordinary Shares on issue. The rights and liabilities attaching to the New Shares offered under this Prospectus are set out in the Constitution of the Company and in the Corporations Act.

The principal rights and liabilities attaching to the New Shares and existing Ordinary Shares are summarised in annexure A.

2.10 Rights Attaching to New Options

The terms and conditions of the New Options are summarised in annexure B. Shares issued upon exercise of New Options will rank pari passu in all respects with existing Ordinary Shares.

2.11 Market Prices of Carnarvon Shares and Options on ASX

The highest and lowest market sale price of Carnarvon shares on the ASX during the 3 months immediately preceding 16 October 2001, and the respective dates of those sales, were 8.9 cents per share on 8 August 2001 and 4.5 cents per share on 12 October 2001. The last market sale price on 15 October 2001 was 4.5 cents.

The New Options are not currently quoted on the ASX.

2.12 Effect of the Rights Issue on Optionholders

The Company currently has 53,953,645 options on issue.

Optionholders may participate in the Rights Issue by exercising any or all of these options before the Record Date. The exercise of any options prior to the Record Date will increase the issued capital of the Company and may increase the number of New Shares (and attaching New Options) issued under the Rights Issue and the total amount raised under the Rights Issue.

Optionholders cannot participate in the Rights Issue without exercising their options.

2.13 Minimum Capital Raising

There is no minimum limit to the amount of capital to be raised under the Rights Issue.

2.14 Shortfall in Subscription

The Directors reserve the right to issue any shortfall in subscription for New Shares (and attaching New Options) at their discretion within 3 months after the close of the Rights Issue.

2.15 Placement Fee

The Company will pay a placement and handling fee of 5% to licensed dealers in securities who assist the Directors in placing any shortfall in subscription for New Shares (and attaching New Options).

2.16 Overseas Shareholders

This offer is only being extended to Shareholders with registered addresses in Australia and New Zealand. All other Shareholders (Non-Resident Shareholders) will not be offered Rights under this Prospectus. The Company has determined, in accordance with the Listing Rules, that it would be unreasonable to make an offer under this Prospectus to Non-Resident Shareholders having regard to:

- the number of Shareholders in the places where the offer would be made;
- the number and value of the rights that would be offered; and
- the cost of complying with the legal requirements in those places.

No Entitlement and Acceptance Forms are being sent to Non-Resident Shareholders, and this Prospectus is being sent to those Shareholders for information purposes only.

The Company will offer to a nominee for Non-Resident Shareholders the Rights to New Shares (and attaching New Options) which would otherwise have been offered to those Shareholders. If there is a market in the Rights, the nominee may sell those Rights. The net proceeds of the sale will be distributed amongst Non-Resident Shareholders in proportion to their shareholdings.

Any such sales will be at such prices and otherwise in such manner as the nominee may in its absolute discretion determine. Any interest earned on the proceeds of sale of such Rights will be applied against costs and expenses first, with any balance accruing to the Company. Neither the Company nor the nominee will be held liable for a failure to sell Rights or to sell Rights at any particular price.

Neither this Prospectus nor the Entitlement and Acceptance Form constitute an offer of, or an invitation by or on behalf of the Company to subscribe for or purchase any of the New Shares (or attaching New Options) in any jurisdiction or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and Entitlement and Acceptance Form, and the offering of New Shares (and attaching New Options), in certain jurisdictions may be restricted by law. Persons into whose possession such documents come should inform themselves about and comply with those restrictions.

2.17 Taxation

Shareholders should be aware that there are taxation implications for subscribing to New Shares (and attaching New Options) and for the selling of Rights acquired pursuant to this Prospectus. These taxation implications will vary between different Shareholders and Shareholders should consult their own professional tax adviser in relation to the taxation implications.

3. Summary of Actions Required if You Wish to Subscribe to the New Shares and New Options

3.1 What you may do

The number of New Shares (and attaching New Options) to which you are entitled is shown in the accompanying Entitlement and Acceptance Form. You may:

- take up all of your entitlement to New Shares (and attaching New Options);
- sell all of your entitlement;
- take up part of your entitlement and sell the balance on the ASX;
- transfer all or part of your entitlement to another person other than on the ASX;
- take up part of your entitlement and allow the balance to lapse; or
- not take up any of your entitlement and allow it to lapse.

3.2 Take up all of your entitlement

If you wish to take up all of your entitlement, please complete the accompanying Entitlement and Acceptance Form in accordance with the instructions on it. Forward your completed Entitlement and Acceptance Form (together with your cheque or bank draft for the amount shown on that form) to reach the Company's share registry, Computershare Investor Services Pty Limited, by not later than 5.00pm (Perth time) on 26 November 2001. Cheques should be made payable to "Carnarvon Petroleum NL – Rights Issue Account" and crossed "not negotiable".

3.3 Sale of entire entitlement

If you wish to sell all of your entitlement, fill in the section on the back of the accompanying Entitlement and Acceptance Form marked "Instruction to Your Stockbroker/Agent" and lodge the form with your stockbroker. Quotation of Rights on ASX will commence on 24 October 2001. The sale of your entitlement must be effected by 19 November 2001, the date on which Rights trading ceases.

3.4 Take up part of your entitlement and sell the balance on the ASX

If you wish to sell part of your entitlement and take up the balance:

- insert in the accompanying Entitlement and Acceptance Form the number of the New Shares (and attaching New Options) for which you want to subscribe;
- complete the section on the back of the Entitlement and Acceptance Form marked "Instruction to Your Stockbroker/Agent" in respect of that part of your entitlement which you wish to sell; and
- lodge your completed Entitlement and Acceptance Form, together with your cheque or bank draft for the amount due in respect of the New Shares (and attaching New Options) you have accepted, with your stockbroker. Cheques should be made payable to "Carnarvon Petroleum NL – Rights Issue Account" and crossed "not negotiable".

Quotation of rights on ASX will commence on 24 October 2001. The sale of part of your entitlement must be effected by 19 November 2001, when Rights trading ceases.

3.5 Transfer of entitlement other than on ASX

If you wish to transfer all or part of your entitlement to another person other than on ASX, forward a completed and stamped standard renunciation form (obtainable from your stockbroker or Computershare Investor Services Pty Limited), together with your Entitlement and Acceptance Form, to Computershare Investor Services Pty Limited not later than 5.00pm (Perth time) on 19 November 2001.

3.6 Entitlements not taken up

If you decide to take up only part of your entitlement or not to accept any of your entitlement, your entitlement will lapse to that extent and may be placed by the Directors within 3 months after the close of the Rights Issue.

If you have any queries concerning this offer, please contact:

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St George's Terrace
PERTH WA 6000
Phone: +61 8 9323 2000 Fax: +61 8 9323 2033

OR **The Company Secretary**
Carnarvon Petroleum NL
Ground Floor, Durack Centre
263 Adelaide Terrace
PERTH WA 6000
Phone: +61 8 9325 6344 Fax: +61 8 9325 6355

OR

Contact your stockbroker or other professional adviser

4. Information about Carnarvon

4.1 The Company

Carnarvon was incorporated on 14 December 1983 and, after operating principally as an oil and gas explorer, announced in November 2000 a change in strategic direction. Since November 2000 the Company has moved from speculative exploration activity to focus on oil and gas fields capable of producing immediate and substantial cash flows to the Company, with significant potential for major increases in levels of production through development rather than wildcat drilling.

To this end the Company appointed two executive directors, Ken Tregonning and David Orth, oil and gas specialists who together have more than 40 years' combined experience of the global oil and gas exploration and production industry.

Dr Ken Tregonning, Managing Director of Carnarvon, has had 20 years of experience in the oil and gas industry. This includes five years with Shell International in Europe working in petroleum engineering, reservoir engineering and economics, and three years with a UK-based international reservoir engineering and petroleum economics consulting company in London and Sydney in senior technical and management positions. Prior to Carnarvon, Ken spent 11 years running an international onshore and offshore oil and gas exploration and production consulting company. Projects were carried out for clients in USA, UK, Switzerland, Australia, New Zealand, PNG, Indonesia, Italy, Philippines, Thailand, Malaysia, Vietnam, Pakistan, Myanmar, and India. The work scope has included hydrocarbon reserve evaluations and audits, production optimisation, marginal field developments, economic studies, drilling program preparation, bid evaluation, acreage assessment, project development and financing, and stock market valuations.

David Orth, an Executive Director, has more than 20 years' experience in the oil and gas industry, including 16 years with major international oil and gas companies in various geological and management positions. He has gained extensive field development experience in UK, Middle East, West Africa, China, Malaysia, North America and Australia. David has established and managed offices in China, Middle East and elsewhere for BHPP and Triton and was General Manager for both upstream and downstream energy business in China for BHPP. David established a consultancy business in 1996 handling project management, geotechnical assessments and client work in the USA, Asia Pacific, Australasia, the Middle East and China.

The Company's change in strategic direction and subsequent Board restructuring followed the purchase of a 40% interest in petroleum concessions and titles in Central Thailand, including the production from the existing wells Wichian Buri-I, Wichian Buri-AI and Si Thep-I together with all the infrastructure, downhole and surface equipment. In addition the Company has earned a 40% interest in the exploration areas contained in the SWIA Concession. The operator is Pacific Tiger Energy Inc. (60%) and the joint venture is called the SWIA Joint Venture.

The advantages of this investment can be summarised as follows:

- Investment in an established, profitable oil field;
- Immediate cash flow from existing production infrastructure;
- Access to a 'tax pool' of around US\$8-12 million, inherited from previous venture operations. It is anticipated that no corporate tax will be paid in Thailand over the next few years until this pool is fully utilised;
- Low risk exploitation of the Wichian Buri Oil Field with new wells targeting proven and probable reserves;
- Proven low cost operator; and
- Opportunity to form a strategic alliance with an operator with knowledge of potential new ventures elsewhere in Thailand.

A development drilling program will be undertaken over the course of the next few months to bring the increased reserves into production. The Company intends to drill 10 to 20 development wells at a rate of 1 to 2 per month in the next 18 months commencing November 2001. The Company anticipates that the development drilling will increase capacity from the present level of around 400 barrels of oil per day (BOPD) to approximately 4000 BOPD. The achievement of this production rate is dependent upon the successful drilling of 20 new wells each producing at an average rate of between 150 to 250 BOPD. The incremental increase in production will have a positive impact on net cash flow and hence on the Company's balance sheet. The Company is presently debt-free.

4.2 Exploration and Production Activities

(A) SWIA CONCESSION

(Carnarvon 40%)

The SWIA Concession has produced some half million barrels of oil since the discovery of oil in WB-I by Petrocorp (now Fletcher Challenge Energy) in 1988.

Production of oil within the SWIA Concession is now mainly from the Wichian Buri Oil Field, Southern Phetchabun Basin. Current production capacity is approximately 400 BOPD from 4 producing wells.

Most likely remaining Proven plus Probable Reserves are 10 MMSTB of remaining recoverable oil, with upside in excess of 17 MMSTB.

In April 2001 a successful discovery well, WB-N1, was drilled on the northern culmination of the field. A second well, WB-N2, was drilled in late May 2001 and proved even more successful than WB-N1. The well flowed naturally and has been put into production via a beam pump.

Both wells intercepted the oil producing F Sandstone formation and confirmed the geological model that formed the basis of Carnarvon's investment in SWIA.

Subject to the availability of funding, it is anticipated that another 10 to 20 wells will be drilled within the following 18 months at a rate of 1 to 2 wells per month.

Production rates exceeding 4000 BOPD are ultimately envisaged if the overall development plan proves successful.

(B) PAPUAN BASIN (PAPUA NEW GUINEA)

PRLs 4 and 5 (Pending), including the Stanley, Elevala, and Ketu discoveries.

(Carnarvon 15%)

These permits are located in the foreland of the Papuan Basin in Papua New Guinea near the port town of Kiunga on the Fly River and were retained from the old PPL 157 most of which has been relinquished.

Three gas/condensate discoveries are contained within the PRLs: Stanley, Elevala, and Ketu. Total reserves are estimated at 914 BCF gas and 46 MMBO condensate. Condensate reserves are based on the Stanley-1 well that flowed 11.5 MMCFD gas and 630 BOPD

Contingent on the conclusions reached from the technical and marketing studies, further studies may be conducted aimed at appraisal and development for gas and/or condensate delivery.

(C) AUSTRALIA

Carnarvon retains a 25.8585% holding in EP 110 together with a carried interest in an upcoming seismic acquisition program. EP 110 lies next to the Tubridgi Gas Field.

Carnarvon also holds an 11% interest in AusAm Resources NL as well as a 2.5% royalty in their Perth Basin assets. AusAm anticipates drilling will commence in November 2001 in the Perth Basin.

4.3 Purpose of the Rights Issue

The principal purpose of the Rights Issue is to finance drilling and exploration activities of the Company in Thailand and pursuing opportunities to acquire additional similar producing assets. It is the Company's intention that oil revenue will be applied in funding development and exploration expenditure of the SWIA Joint Venture until field production optimisation is achieved. The cash flows from oil production will then be used by the joint venture partners in pursuing their respective corporate objectives which, in the case of Carnarvon, will include the expansion of its portfolio of oil and gas producing interests.

4.4 The Future

By its very nature, investment in the petroleum exploration industry must be considered to be high risk. As far as possible the Company endeavours to manage the risk by ensuring that investment decisions are made on technically sound information.

The planned exploration programme is subject to continual change which can be attributed to a large number of variables, including:

- statutory requirements
- ability to influence joint venture decision-making
- weather constraints
- availability of seismic crews
- availability of drilling equipment

The success of the SWIA Joint Venture in Thailand will depend, in part, on both Carnarvon and its joint venture partner contributing to the cost of their respective shares of the planned development program.

In the event that a joint venture partner elects not to contribute to this program, there are mechanisms within the Joint Operating Agreement to allow single funding of an agreed development program. This would entitle a joint venture partner who self-finances the development program to all risks and benefits derived from the single funded program. The other partner has the option to buy back into the development program at 10 times the cost that it would have incurred had it joined the program and contributed in accordance with its participating interest.

The Joint Operating Agreement also allows for the scenario whereby a joint venture partner elects to participate in an

agreed development program at a rate less than its participating interest ("Shortfall Interest"). The other joint venture partner may fund this Shortfall Interest and be entitled to the risks and benefits of the Shortfall Interest. The other partner has the option of buying back the Shortfall Interest at 10 times the cost that it would have incurred had it contributed in accordance with its full participating interest.

4.5 Application of Funds

The Directors of Carnarvon are considering an annual expenditure budget for 2001/2002 of approximately \$4 million. This expenditure includes the administration costs of the Company and its overall development and exploration programme for the 12 months commencing 1 July 2001.

The monies raised by the Rights Issue will be used by the Company primarily to fund the Company's share of the planned development program on the SW1A Concession, together with the analysis and pursuit of other potential acquisition opportunities. The exploration and development programme includes the development wells being drilled in Thailand.

4.6 Effect of Rights Issue on the Company

Capital Structure	Number
Issued share capital of the Company at 16 October 2001	86,532,846
Options exercisable at 25 cents on or before 31 July 2002	43,953,645
Options exercisable at 20 cents on or before 31 December 2003	10,000,000
Shares to be issued pursuant to a private placement	6,450,000
Options exercisable at 20 cents on or before 31 December 2002 to be issued pursuant to a private placement	6,450,000
New Shares offered by this Prospectus	30,994,282
New Options exercisable at 20 cents on or before 31 December 2002 offered by this Prospectus	30,994,282
Total number of shares if all options are exercised	215,375,055

The principal effect of the Rights Issue on the Company will be to:

- increase cash reserves by approximately \$1,550,000 (before expenses of the Rights Issue) to enable Carnarvon to pursue its objectives;
- increase the number of issued shares by approximately 30,994,282 to 123,977,128. If all the existing outstanding options were exercised, an additional 60,403,645 shares would be issued, increasing the number of shares on issue to 184,380,773; and
- increase the number of issued options by an additional 30,994,282 options. Carnarvon will receive no consideration for the issue of the New Options. If all the New Options are issued and exercised, the Company will receive \$6,198,856. The likelihood of the Company raising this additional capital through the exercise of the New Options is dependent, amongst other things, on the price of the Company's shares from time to time up to the expiry date of the options.

5. Statement of Financial Position

	<i>30 June 2001 Audited *</i>	<i>30 June 2001 Pro-forma **</i>
Current Assets		
Cash	1,473,894	2,873,894
Receivables	220,599	220,599
Prepayments and other assets	32,680	32,680
Total Current Assets	1,727,173	3,127,173
Non-Current Assets		
Receivables	249,815	249,815
Other financial assets	282,876	282,876
Plant and equipment	31,933	31,933
Deferred exploration and development costs	3,144,389	3,144,389
Total Non-Current Assets	3,709,013	3,709,013
Total Assets	5,436,186	6,836,186
Current Liabilities		
Payables	606,566	606,566
Provisions	10,536	10,536
Total Liabilities	617,102	617,102
Net Assets	4,819,084	6,219,084
Equity		
Contributed equity	38,796,500	40,196,500
Accumulated losses	(33,977,416)	(33,977,416)
Total Equity	4,819,084	6,219,084
Number of ordinary fully paid shares on issue	92,982,846	123,977,128

* Based on Carnarvon's audited consolidated statement of financial position at 30 June 2001 allowing for the effects of the following placements:

- 6,000,000 ordinary shares at 7 cents per share plus 6,000,000 free options on 2 August 2001. The effect of this placement is to increase both cash and contributed equity by \$399,000; and
- 6,450,000 ordinary shares at 5 cents per share plus 6,450,000 free options. This placement is being contemplated by the Company and has not been completed as at the date of this Prospectus. The effect of this placement would be to increase both cash and contributed equity by \$286,375.

** Effect of the Rights Issue of 30,994,282 New Shares at 5 cents per share plus 30,994,282 free New Options to raise an estimated net \$1,400,000 (\$1,550,000 gross less estimated expenses of the Rights Issue of \$150,000).

6. Additional Information

6.1 Disclosing Entity

This Prospectus is issued pursuant to section 713 of the Corporations Act as a prospectus for the offer of continuously quoted securities.

Carnarvon is a “disclosing entity” for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Carnarvon is subject to the Listing Rules of the ASX which require continuous disclosure to the market of any information the Company has which a reasonable person would expect to have a material effect on the price or value of the Company’s shares.

The ASX maintains files containing publicly disclosed information about all listed companies. The Company’s file is available for inspection at the ASX in Perth during normal working hours. In addition, copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, any Regional Office of the ASIC.

6.2 Information Available to Shareholders and Prospective Investors

The Company will provide a copy of each of the following documents free of charge, to any Shareholder or prospective investor who so requests during the application period under this Prospectus:

- the 2001 Annual Report of Carnarvon which contains the financial statements and consolidated financial statements for the 2000/2001 financial year; and
- the following announcements lodged with the ASX since release of the 2001 Annual Report:

Date	Announcement
30 August 2001	Substantial Shareholder’s Notice
3 September 2001	Appendix 3B – Placement of 40,000,000 Shares and Free Attaching Options to Raise \$2.8 Million
11 September 2001	Sale of Carnarvon Basin permits
5 October 2001	Section 205G Notice – Notice of Change in Director’s Interests
11 October 2001	Chairman’s Address to the Annual General Meeting
11 October 2001	Withdrawal of Prospectus Dated 31 August 2001
11 October 2001	Results of Annual General Meeting

6.3 Directors’ Interests

Other than as set out below or elsewhere in this Prospectus:

- (a) no Director or proposed Director has, or has had in the two years before the date of this Prospectus, any interests in:
- the formation or promotion of the Company;
 - property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
 - the Rights Issue; and
- (b) no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to:
- any Director or proposed Director to induce him or her to become, or to qualify as, a Director of the Company; or
 - any Director or proposed Director for services which he or she has provided in connection with the formation or promotion of the Company or the Rights Issue.

INTEREST IN SHARES

The Directors and their related entities have the following interests in the Company's shares and the Company's options as at the date of this Prospectus:

Director	EXISTING SHARES		OPTIONS
	Director interest	Director related entity interest	Director interest or related entity interest
GHC White	450,000	2,263,482	1,131,741
NC Fearis	200,000	600,000	—
KC Tregonning	2,100,000	2,000,000	5,100,610
DJ Orth	—	2,000,000	5,000,000

6.4 Interests of People Involved in the Rights Issue

Other than as set out below or elsewhere in this Prospectus:

- (a) no promoter of the Company or person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has, or has in the two years before the date of this Prospectus had, any interest:
- in the formation or promotion of the Company;
 - in property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
 - in the Rights Issue; and
- (b) no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any promoter of the Company, stockbroker or underwriter to the Rights Issue or other person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus or provided in connection with the formation or promotion of the Company or the Rights Issue.

6.5 Expenses of the Rights Issue

The total expenses connected with the Rights Issue, including legal and other advisory fees, listing, printing and other miscellaneous expenses are estimated to be \$150,000.

6.6 Consents

The following parties have given and have not at the date of this Prospectus withdrawn their written consent to being named in this Prospectus. None of these parties has caused or authorised the issue of this Prospectus or has in any way been involved in the making of the Rights Issue.

Copies of these consents are available for inspection, without charge, at the registered office of Carnarvon.

Computershare Investor Services Pty Ltd has consented to being named in this Prospectus as share registry (Australia) for the Company in the form and context in which it is named. Computershare Investor Services Pty Ltd takes no responsibility for any part of this Prospectus other than references to its name. Computershare Investor Services Pty Ltd does not make any statement in this Prospectus nor is any statement based upon a statement by Computershare Investor Services Pty Ltd.

Computershare Registry Services Limited has consented to being named in this Prospectus as share registry (New Zealand) for the Company in the form and context in which it is named. Computershare Registry Services Limited takes no responsibility for any part of this Prospectus other than references to its name. Computershare Registry Services Limited does not make any statement in this Prospectus nor is any statement based upon a statement by Computershare Registry Services Limited.

6.7 Directors' Authorisation

Each Director has consented to the lodgment and issue of this Prospectus.

Signed in accordance with a resolution of the Directors.

George White
Chairman

7. Definitions

“ASIC”	means the Australian Securities and Investments Commission
“ASX”	means Australian Stock Exchange Limited
“Basin”	means the geological term to describe an accumulation of sedimentary rocks
“BCF”	means billion cubic feet
“BOPD”	means barrels oil per day
“Carnarvon” or “the Company”	means Carnarvon Petroleum NL (ACN 002 688 851)
“Corporations Act”	means the Corporations Act 2001 (Cth)
“Directors”	means the Directors of Carnarvon
“Entitlement and Acceptance Form”	means the Entitlement and Acceptance Form accompanying this Prospectus
“MMCFD”	means million cubic feet per day
“MMSTB”	means million stock tank barrels (oil)
“New Options”	means options to subscribe for Ordinary Shares in the Company with an exercise price of 20 cents each expiring on 31 December 2002 issued pursuant to the Rights Issue
“New Shares”	means Ordinary Shares in the Company issued pursuant to the Rights Issue
“NZSE”	means New Zealand Stock Exchange
“Ordinary Shares”	means fully paid ordinary shares in the Company
“Perth time”	means Western Australian Standard Time
“PNG”	means Papua New Guinea
“PPL”	means Petroleum Production Licence
“PRL”	means Petroleum Retention Licence
“Prospectus”	means this document dated 16 October 2001
“Record Date”	means the record date to determine the Shareholders entitled to participate in the Rights Issue determined in accordance with the ASX Listing Rules, being 5.00pm (Perth time) on 30 October 2001
“Rights”	means the rights to subscribe for New Shares (and the free attaching New Options) under this Prospectus
“Rights Issue”	means the renounceable rights issue the subject of this Prospectus
“Shareholders”	means a holder of Ordinary Shares

Annexure A – Rights and Liabilities Attaching to New Shares and Existing Ordinary Shares

Full details of the rights and liabilities attaching to the New Shares and existing Ordinary Shares are set out in the Carnarvon constitution (Constitution), a copy of which can be inspected at the Company's registered office during normal business hours. A broad summary (although not an exhaustive or definitive statement) of the rights and liabilities attaching to the New Shares and existing Ordinary Shares is outlined below. All New Shares issued under this Prospectus are of the same class and rank equally in all respects with the existing Ordinary Shares on issue.

(a) Meetings of Shareholders and voting rights

Subject to the Constitution, each Shareholder is entitled to receive a notice of a general meeting.

Subject to the Constitution, at a general meeting, each Shareholder entitled to vote may attend and vote in person or by proxy, attorney or representative.

At a general meeting, a resolution put to the vote shall be decided on a show of hands unless a poll is demanded. On a show of hands, every Shareholder present has one vote. On a poll, every Shareholder present has one vote for each fully paid share held by them and may vote in person, by proxy, by attorney or by representative. A Shareholder who holds a partly paid share, in respect of which the Shareholder is entitled to vote, shall be entitled to a fraction of a vote equal to the proportion which the amount paid up on the share bears to the total amounts paid.

(b) Dividend

The Directors may declare and pay such interim and final dividends as, in their judgment, the financial position of the Company justifies. All dividends must be declared and paid to the Shareholders in proportion to the number of shares held by them, irrespective of the amounts paid or credited as paid on the shares.

(c) Winding up

Shareholders will be entitled, in a winding up, to any surplus assets of the Company in proportion to the shares held by them, irrespective of the amounts paid or credited as paid on the shares.

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders the whole or any part of the property of the Company and determine how the division is to be carried out as between the members or different classes of Shareholders.

(d) Transfer of shares

Subject to the Constitution, a Shareholder may transfer all or any of their shares by a proper SCH transfer or an instrument in writing in any form that the Directors approve. The transferor of shares remains the holder of the shares until a proper SCH transfer has been effected or the name of the transferee is entered in the register of Shareholders of Carnarvon.

The Directors may decline to register a transfer of shares where the transfer is not in registrable form or where permitted to do so under the ASX Listing Rules or the SCH Business Rules.

(e) New issues of securities

Subject to the Constitution and the ASX Listing Rules, the Directors may issue, grant options in respect of, or otherwise dispose of, shares on such conditions, at such times and with such preferred, deferred or other special rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise as the Directors think fit.

(f) Alteration of capital

Carnarvon may, by resolution, increase its share capital by the creation of new shares, consolidate and divide its share capital into shares of larger amount than its existing shares, subdivide its shares into smaller amounts or cancel shares which have not been taken by any person or which have been forfeited and reduce its authorised share capital by the amount of the shares so cancelled.

Annexure B – Terms and conditions of New Options

A complete list of the terms and conditions of the New Options is available upon request from the Company. A summary of the terms and conditions of the Options is set out below.

- 1 The New Options may be exercised by notice in writing to the Company received at any time on or before 31 December 2002 (Expiry Date).
- 2 The New Options may be exercised in whole or in part.
- 3 The exercise price for each New Option shall be 20 cents payable in cash.
- 4 The New Options may be transferred at any time in whole or in part.
- 5 A notice under the CHES system instead of a certificate will be issued for the New Options. On the reverse side of the notice there will be an endorsed statement of rights of the New Option holder and a notice of exercise of option that is to be completed when exercising the New Options. If there is more than one New Option comprised in the notice and prior to the Expiry Date those New Options are exercised in part the Company will issue another notice for the balance of the New Options held and not exercised.
- 6 The New Option holder will be permitted to participate in any new pro-rata issue of securities of the Company on the prior exercise of the New Options in which case the New Option holder will be afforded the period of a least 7 business days prior to and inclusive of the books closing date (to determine entitlements to the issue) to exercise the New Options.
- 7 In the event of any reorganisation of the issued capital of the Company, the rights of a New Option holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.
- 8 The New Options will not give any right to participate in dividends until shares are allotted pursuant to the exercise of the New Options.
- 9 Application will be made to the ASX for the listing of the New Options offered under the Prospectus.
- 10 Shares allotted or issued pursuant to the exercise of a New Option will be allotted or issued on the terms and conditions on which the New Options are issued and not more than 14 days after the receipt of a properly executed notice and application monies in respect of the exercise of a New Option and will rank equally with the then issued ordinary shares of Carnarvon and the Company will make application for the listing of such shares on the Official Listing of the ASX on or before the third day on which the ASX is open after the date of issue or allotment of those shares.
- 11 Each New Option shall confer the right to take up one fully paid ordinary share in the Company.

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