

CARNARVON PETROLEUM LIMITED  
ABN 60 002 688 851



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## ENTITLEMENT OFFER PROSPECTUS

For a pro-rata non-renounceable entitlement offer of 1 New Share for every 5 Shares held by Eligible Shareholders registered at 7.00pm (AEDT) on Friday, 29 November 2013 at an issue price of \$0.064 per Share together with 1 free attaching listed New Option for every 1 New Share issued to raise up to approximately \$12,000,000.

The Entitlement Offer is scheduled to close at 5.00pm (AEDT) on Tuesday, 17 December 2013.

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### **IMPORTANT INFORMATION**

**This is an important document and requires your immediate attention.**

**If you are an Eligible Shareholder, you should read this Prospectus in its entirety before deciding whether to apply for New Shares and New Options under this Prospectus.**

**If you do not understand any part of this Prospectus, or are in any doubt as to how to deal with it or your Entitlement, you should consult your stockbroker, accountant, solicitor or other professional adviser.**

**You should have regard to all publicly available information concerning the Company.**

## Important Notices

You should read this entire Prospectus carefully before deciding whether to invest in New Shares and New Options. In particular, you should consider the key risks that could affect the performance of the Company or the value of an investment in the Company, some of which are outlined in **section 5** of this Prospectus.

However, the information provided in this Prospectus is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Before deciding whether to apply for New Shares and New Options, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading this Prospectus, you have any questions about the Entitlement Offer, you should contact your stockbroker, accountant, solicitor or other professional adviser.

### Regulatory information

This Prospectus is dated Wednesday, 20 November 2013 and was lodged with ASIC on that date. This Prospectus has been prepared by the Company.

The Company will apply to ASX for quotation of the New Shares and New Options within 7 days of the date of this Prospectus.

Neither ASIC nor ASX take any responsibility for the contents of this Prospectus.

This Prospectus expires on the date 13 months after the date of this Prospectus. No securities will be allotted, issued or sold on the basis of this Prospectus after that date.

This is a Prospectus for an offer of 'continuously quoted securities' (as defined in the Corporations Act) of the Company and has been prepared in accordance with section 713 of the Corporations Act. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offering prospectus.

### Disclaimer

Except as required by law, and only then to the extent so required, neither the Company nor any other person warrants the future performance of the Company, or any return on any investment made under this Prospectus. An investment in the New Shares and New Options offered by this Prospectus should be considered speculative.

No person is authorised to give any information or make any representation in connection with the Entitlement Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not contained in this

Prospectus may not be relied on as having been authorised by the Company in connection with the Entitlement Offer.

The Company has prepared this document based on information available to it at the time of preparation. Macquarie Capital (Australia) Limited and Hartleys Limited (the **Advisers**) and each of their respective directors, employees, officers and advisers accept no responsibility or liability for the contents of the Prospectus and make no recommendation as to whether recipients of the Prospectus should participate in the Entitlement Offer and make no warranties concerning the Entitlement Offer. The Advisers are acting as advisers to the Company and not as underwriters or lead managers.

No representation or warranty, express or implied, is made as to the fairness, accuracy or completeness of the information, opinions and conclusions contained in this document by the Advisers. To the maximum extent permitted by law, the Advisers, their Related Bodies Corporate and the officers, directors, employees and agents of those entities do not accept any responsibility and disclaim all liability including, without limitation, any liability arising from fault or negligence on the part of any person, for any loss arising from the use of this document or its contents or otherwise arising in connection with it.

### Forward-looking statements

This Prospectus includes forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in or implied by the forward-looking statements in this Prospectus.

In particular, this Prospectus details some important factors and risks that could cause the Company's actual results to differ from the forward-looking statements in this Prospectus (some of which are outlined in **section 5** of this Prospectus).

The pro-forma financial information provided in this Prospectus is for illustrative purposes only and is not represented as being indicative of the Company's view on its future financial condition and/or performance.

### Prospectus availability

Shareholders with registered addresses in Australia, New Zealand, the United Kingdom, Norway, Germany, Liechtenstein, Hong Kong or the UAE (excluding the Dubai International Finance Centre) can obtain a copy of this Prospectus during the Offer Period on the Company's website at [www.carnarvon.com.au](http://www.carnarvon.com.au) or by contacting the Carnarvon Petroleum Limited

Offer Information Line on 1800 236 994 between 8:30am to 5:00pm (AEDT) Monday to Friday during the Offer Period. If you access the electronic version of this Prospectus, you should ensure that you download and read the entire Prospectus.

The electronic version of this Prospectus on the Company's website will not include a personalised Entitlement and Acceptance Form. You will only be entitled to accept the Entitlement Offer by completing and returning your personalised Entitlement and Acceptance Form, which accompanies this Prospectus, or by making a payment via BPAY® using the information provided on your personalised Entitlement and Acceptance Form (refer to **section 3** of this Prospectus for further information).

The Corporations Act prohibits any person from passing the Entitlement and Acceptance Form on to another person unless it is attached to a hard copy of this Prospectus or a complete and unaltered electronic version of this Prospectus.

The distribution of this Prospectus (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this Prospectus, you should observe any such restrictions and should seek your own advice on those restrictions. Any non-compliance with the restrictions may contravene applicable securities laws.

This document may not be released or distributed in the United States.

#### **Foreign jurisdictions**

This Prospectus has been prepared to comply with the requirements of the laws of Australia. No action has been taken to register the New Shares or New Options in any jurisdiction outside of Australia.

#### *New Zealand*

The New Shares and New Options are not being offered or sold to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares and New Options is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand).

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

#### **Other Jurisdictions**

**See section 2.8 of this Prospectus for further**

#### **details in relation to persons in other jurisdictions.**

#### **Glossary**

Terms and abbreviations used in this Prospectus are explained in the Glossary in **section 7** of this Prospectus.

A reference in this Prospectus to time is a reference to the local time in Perth, Western Australia, unless otherwise stated.

All financial amounts in this Prospectus are expressed in Australian dollars, unless otherwise stated.

#### **Enquiries**

If you have any questions in relation to the Entitlement Offer, please contact your stockbroker, accountant, solicitor or other professional adviser.

If you have questions in relation to the Existing Shares upon which your Entitlement has been calculated, or how to complete the Entitlement and Acceptance Form or take up all or part of your Entitlement, please contact the Carnarvon Petroleum Limited Offer Information Line on 1800 236 994 between 8:30am to 5:00pm (AEDT) Monday to Friday during the Offer Period.

#### **Privacy**

Please read the privacy statement located in **section 6.5** of this Prospectus.

It is important you understand that by submitting an Entitlement and Acceptance Form accompanying this Prospectus or by making a payment via BPAY® using the information provided on the Entitlement and Acceptance Form, you consent to the matters outlined in that privacy statement.

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# Chairman's Letter

20 November 2013

Dear Shareholder,

On behalf of Carnarvon Petroleum Limited (**Company**), I am pleased to invite you to participate in a 1 for 5 pro-rata non-renounceable entitlement offer of New Shares at an offer price of \$0.064 per New Share (**Entitlement Offer**) together with 1 free attaching listed New Option for every 1 New Share, issued subject to the terms of the Entitlement Offer outlined in this Prospectus.

Macquarie Capital (Australia) Limited and Hartleys Limited have been appointed to provide advice to the Company in relation to the Entitlement Offer. The Entitlement Offer is not underwritten.

The offer price represents a 12% discount to the Company's closing price of \$0.073 on 19 November 2013 and a 12% discount to the volume-weighted average price of the Company's shares during the 5 trading days up to and including 19 November 2013 (being the trading day before this Prospectus was finalised).

The purpose of the Entitlement Offer is to raise up to approximately \$12 million (before costs). The Company is undertaking the Entitlement Offer to ensure that the Company is appropriately funded as it enters into drilling of the Phoenix South-1 well where the Company is free-carried for expenditure of up to US\$50 million, and for general working capital purposes. Further details of the use of the funds raised are set out in **section 2.1** of this Prospectus.

The Entitlement Offer is non-renounceable, which means that entitlements to take up New Shares and New Options (**Entitlements**) are non-transferable and will not be tradeable on ASX. Shareholders who do not take up all or any part of their Entitlement will not receive any payment or value in respect of the Entitlement not taken up and their equity interest in the Company will be diluted.

This Prospectus contains important information about the Entitlement Offer. With this Prospectus, you will also find a personalised Entitlement and Acceptance Form that contains details of your Entitlement. Details of how to accept the Entitlement Offer are provided on the form and in **section 3** of this Prospectus.

The Entitlement Offer is scheduled to close at 5.00pm (AEDT) on Tuesday, 17 December 2013. To participate, you will need to ensure that you have completed and returned the Entitlement and Acceptance Form and paid all application monies before this time and date or, alternatively, that you have paid all monies via BPAY® by no later than 5:00pm (AEDT) on that date.

For further information regarding the Entitlement Offer, please contact the Carnarvon Petroleum Limited Offer Information Line on 1800 236 994 between 8:30am to 5:00pm (AEDT) Monday to Friday, or visit our website at [www.carnarvon.com.au](http://www.carnarvon.com.au) for more information about the Company.

You should also consult your stockbroker, accountant, solicitor or other professional adviser to evaluate whether or not to participate in the Entitlement Offer.

On behalf of the Board of the Company, I thank you in anticipation of your support for the Entitlement Offer.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Peter J Leonhardt', with a large, sweeping flourish extending to the right.

**Peter J Leonhardt**  
Chairman

## Key Offer Information

|   |   |
|---|---|
| Offer Price per New Share under the Entitlement Offer   | \$0.064   |
| Eligible Shareholders' Entitlement  | 1 New Share for every 5 Existing Shares held on the Record Date together with 1 free attaching New Option for every 1 New Share issued under the Entitlement Offer. |
| Approximate maximum Entitlement Offer Proceeds  | \$12 million (before costs)   |
| Approximate number of New Shares to be issued in respect of the maximum Entitlement Offer Proceeds  | 187,559,375   |
| Approximate number of New Options to be issued in respect of the maximum Entitlement Offer Proceeds | 187,559,375   |
| Approximate maximum number of Shares on issue on completion of the Entitlement Offer                | 1,125,356,250   |
| Approximate maximum number of Options on issue on completion of the Entitlement Offer               | 187,559,375   |

## Key Dates

|   |  |
|---|--|
| Prospectus lodged with ASX and ASIC   | Wednesday, 20 November 2013              |
| 'Ex' date   | Monday, 25 November 2013                 |
| Record Date   | 7:00pm (AEDT), Friday, 29 November 2013  |
| Prospectus and Entitlement and Acceptance Forms dispatched to Eligible Shareholders | Tuesday, 3 December 2013                 |
| Closing Date for acceptance and payment   | 5:00pm (AEDT), Tuesday, 17 December 2013 |
| Deferred settlement trading commences   | Wednesday, 18 December 2013              |
| Issue and allotment of New Shares and New Options                                   | Friday, 27 December 2013                 |
| Commencement of trading of New Shares   | Monday, 30 December 2013                 |

**Note:** All dates (other than the date of the Prospectus and date of lodgement of the Prospectus with ASX and ASIC) are indicative only. The Company reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws, to vary the dates of the Entitlement Offer, including extending the Closing Date or accepting late applications, either generally or in particular cases, without notice.

# 1 Overview

## 1.1 The Entitlement Offer

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| <b>What is the Entitlement Offer?</b>  | The Entitlement Offer is a pro-rata non-renounceable offer made to Eligible Shareholders to subscribe for New Shares and New Options.   | <b>Section 2.2</b>                     |
| <b>What is my Entitlement?</b>   | Each Eligible Shareholder is entitled to subscribe for 1 New Share for every 5 Existing Shares held on the Record Date, and 1 free attaching listed New Option for every 1 New Share issued under the Entitlement Offer, subject to the terms of this Prospectus.   | <b>Entitlement and Acceptance Form</b> |
| <b>What is the Offer Price?</b>  | The Offer Price is \$0.064 per New Share. There is no consideration payable for the issue of New Options.   | <b>Section 2.5</b>                     |
| <b>Am I an Eligible Shareholder?</b>   | Eligible Shareholders are those persons who: <ul style="list-style-type: none"><li>• are registered as a holder of Shares as at 7.00pm (AEDT) on the Record Date;</li><li>• have a registered address in Australia, New Zealand, the United Kingdom, Norway, Germany, Liechtenstein, Hong Kong or the UAE (excluding the Dubai International Finance Centre) or are, in the opinion of the Company, otherwise eligible under all applicable securities laws to receive an offer of New Shares and New Options under the Entitlement Offer; and</li><li>• are not in the United States and are subscribing for the New Shares and New Options in an 'offshore transaction' (as defined in Rule 902(h) of the US Securities Act).</li></ul> | <b>Sections 2.7 and 2.8</b>            |
| <b>How much will be raised from the Entitlement Offer?</b>                                 | The Entitlement Offer will raise approximately \$12 million (before costs).   | <b>Section 2.1</b>                     |
| <b>What is the purpose of the Entitlement Offer and how will the funds raised be used?</b> | The Company is undertaking the Entitlement Offer to ensure that it is appropriately funded as it enters into drilling of the Phoenix South-1 well where the Company is free-carried for expenditure of up to US\$50 million, and for general working capital purposes. See <b>section 2.1</b> for further details.  | <b>Section 2.1</b>                     |
| <b>Is the Entitlement Offer underwritten?</b>  | No – note however Macquarie and Hartleys have been appointed as Advisers in relation to the Entitlement Offer and, at the discretion of the Board, to place the Shortfall on a best endeavours basis.   | <b>Section 2.6</b>                     |
| <b>What are the tax implications of participating in the Entitlement Offer?</b>            | Taxation implications will vary depending upon the specific circumstances of individual Shareholders. Investors should obtain their own professional advice as to the particular taxation treatment which will apply to them.   | <b>Section 6.8</b>                     |



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| <b>Can I apply for Additional New Shares and New Options above my Entitlement?</b> | Yes – Eligible Shareholders may also apply for New Shares and New Options in excess of their Entitlement, subject to there being a sufficient Shortfall and subject to the Board’s discretion. | <b>Section 2.3</b> |
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| <b>Are there any risks?</b> | There are risks associated with an investment in the Company. These include risks relating to the Company’s business, risks associated with investing in the petroleum industry generally, risks relating to the Entitlement Offer and risks associated with financial investment generally. These risks are set out in more detail in <b>section 5</b> of this Prospectus. | <b>Section 5</b> |
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| <b>Where can I find more information about the Company?</b> | For more information on the Company and its projects please see the Company’s website ( <a href="http://www.carnarvon.com.au">www.carnarvon.com.au</a> ) and the Company’s ASX announcements (also available on the Company’s website and the ASX’s website <a href="http://www.asx.com.au">www.asx.com.au</a> ). |  |
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## 1.2 Actions for Eligible Shareholders

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| <b>How do Eligible Shareholders find out what their Entitlement is?</b> | Your Entitlement is set out on the personalised Entitlement and Acceptance Form accompanying this Prospectus. | <b>Entitlement and Acceptance Form</b> |
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| <b>What can I do with my Entitlement?</b> | You can do the following: <ul style="list-style-type: none"><li>• take up all or part of your Entitlement; or</li><li>• do nothing, in which case your Entitlement will lapse.</li></ul> You may also choose to apply for Additional New Shares and New Options, as described in <b>section 2.3</b> . | <b>Section 3.1</b> |
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|------------------------------------|--|--------------------|
| <b>Can I trade my Entitlement?</b> | No – the Entitlement Offer is non-renounceable, meaning you cannot trade your Entitlement. | <b>Section 2.9</b> |
|------------------------------------|--|--------------------|

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|   |  |                    |
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| <b>What happens if I do not take up my Entitlement, or take up only part of my Entitlement?</b> | If you do not take up all of your Entitlement by the Closing Date, then New Shares and New Options representing the number of New Shares and New Options not taken up under your Entitlement will form part of the Shortfall. This will likely result in your interest in the Company being diluted. | <b>Section 3.3</b> |
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| <b>How do I accept the Entitlement Offer? And how do I apply for Additional New Shares and New Options?</b> | If you wish to take up all or part of your Entitlement (and if you wish to apply for Additional New Shares and New Options), you must either: <ul style="list-style-type: none"><li>• complete and return the personalised Entitlement and Acceptance Form to the Share Registry together with a cheque, bank draft or money order for the full Application Monies so that it is received by the Share Registry by no later than 5.00pm (AEDT) on the Closing Date; or</li><li>• pay the full Application Monies via BPAY® by no later than 5.00pm (AEDT) on the Closing Date.</li></ul> | <b>Section 3.4</b> |
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### **1.3 Further information**

If you have any questions about the Entitlement Offer that are not answered in this Prospectus you should consult your stockbroker, accountant, solicitor or other professional adviser before deciding to invest or contact the Carnarvon Petroleum Limited Offer Information Line on 1800 236 994 between 8:30am to 5:00pm (AEDT) Monday to Friday during the Offer Period.

## 2 Details of Entitlement Offer

### 2.1 Purpose of Entitlement Offer and use of funds

The purpose of the Entitlement Offer is to raise up to approximately \$12 million (before costs) to assist the Company to fund, if required, its share of potential drilling costs of the Phoenix South-1 well above the cost cap of US\$50 million agreed in the October 2012 farm in agreement with Apache Northwest Pty Ltd and JX Nippon Oil & Gas Exploration (Australia) Pty Ltd.

The Entitlement Offer proceeds are planned to be used in accordance with the table set out below:

| Use of funds   | \$                  |
|--|---------------------|
| Provision for potential additional costs associated with encountering hydrocarbons, such as:   | \$5,000,000         |
| <ul style="list-style-type: none"><li>• Deepening the well from previously planned 4,500 metres to 5,000 metres;</li><li>• Additional 7" well liner to safely manage drilling through high gas prone zones; and</li><li>• Additional success case wireline logs.</li></ul> |                     |
| Provision for potential additional costs associated with the drilling rig only being available to drill the Phoenix South-1 well during the cyclone season.  | \$5,000,000         |
| Working capital and other costs.   | \$2,000,000         |
| <b>Total</b>   | <b>\$12,000,000</b> |

The Company expects to use the proceeds of the Entitlement Offer in the first half of 2014.

Any funds received by the Company on exercise of New Options will be used to fund the Company's future exploration and production programs at the time of exercise of the New Options and for general working capital purposes.

The above is a statement of the Board's current intention as at the date of this Prospectus. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

In the event that Eligible Shareholders do not take up all of their Entitlements and any Shortfall is not successfully placed, resulting in less than the maximum

amount being raised, the proceeds of the Entitlement Offer will be allocated, first, to the costs of the Entitlement Offer; secondly to assist the Company to fund any potential drilling costs of the Phoenix South-1 well in excess of the US\$50 million free-carry; and thirdly to working capital. In the event that less than adequate funds are raised to pay the costs of the Entitlement Offer and other proposed uses of funds, the Company is likely to need to use existing cash resources to pay those amounts or make other arrangements.

## 2.2 Structure of Entitlement Offer

Approximately 187,559,375 New Shares are being offered at an Offer Price of \$0.064 per New Share. Each Eligible Shareholder has the opportunity to subscribe for 1 New Share for every 5 Existing Shares held on the Record Date, together with 1 free attaching New Option for every 1 New Share issued under the Entitlement Offer.

The free attaching New Options are exercisable at \$0.10 on or before 29 December 2015. The full terms of the New Options are set out in **section 6.3**.

Due to rounding of Entitlements under the Entitlement Offer, the exact number of New Shares and New Options to be issued under the Entitlement Offer will not be known until completion of the Entitlement Offer.

The Entitlement Offer is intended to raise up to approximately \$12 million (before costs).

Eligible Shareholders are being sent this Prospectus together with a personalised Entitlement and Acceptance Form and are invited to apply for New Shares and New Options. The Entitlement Offer opens on Tuesday, 3 December 2013 and is scheduled to close at 5.00pm (AEDT) on Tuesday, 17 December 2013.

## 2.3 Additional New Shares and New Options

Eligible Shareholders may also apply for New Shares and New Options in excess of their Entitlement (**Additional New Shares and New Options**).

Any Additional New Shares and New Options will be limited to the extent that there are sufficient New Shares and New Options from Eligible Shareholders who do not take up their full Entitlements (ie that form part of the Shortfall) or from New Shares and New Options that would have been offered to Ineligible Shareholders (as defined in **section 2.8** below) if they had been entitled to participate in the Entitlement Offer.

Additional New Shares and New Options will only be allocated to Eligible Shareholders, if and to the extent that the Company so determines, in its absolute discretion, having regard to circumstances as at the time of the close of the Entitlement Offer and subject to the Corporations Act and the ASX Listing Rules. The Company may apply any scale-back in its absolute discretion. The Company's decision on the number of Additional New Shares and New Options allocated to Eligible Shareholders will be final.

To the extent that there remains any Shortfall in the take-up of the Entitlement Offer following allocations of Additional New Shares and New Options, the

Directors reserve the right to issue the Shortfall at their discretion and to that end have engaged Macquarie and Hartleys to assist in placing any such Shortfall on a best endeavours basis.

## **2.4 No minimum subscription**

There is no minimum subscription for the Entitlement Offer.

## **2.5 Offer Price**

The Offer Price is \$0.064 per New Share. This is payable on taking up your Entitlement. There is no consideration payable for the issue of New Options.

Additional New Shares and New Options are also offered at \$0.064 per New Share, payable at the time of applying for Additional New Shares and New Options.

The Offer Price represents a 12% discount to the Company's closing price of \$0.073 on 19 November 2013 and a 12% discount to the volume-weighted average price of the Company's Shares during the 5 trading days up to and including 19 November 2013 (being the trading day before the Prospectus was finalised).

## **2.6 Shortfall**

The Directors reserve the right in accordance with the Corporations Act and ASX Listing Rule 7.2 (exception 3) to place any Shortfall at their discretion with:

- Eligible Shareholders whose acceptance exceeds their Entitlement; or
- any other parties selected by them.

Any New Shares and New Options the subject of the Shortfall will be placed no later than 3 months after the Closing Date and will be issued on the same terms as are offered to Eligible Shareholders under the Entitlement Offer.

The Company has appointed the Advisers to assist into placing any Shortfall on a best endeavours basis. However, this arrangement does not constitute an underwriting of the Entitlement Offer or the Shortfall. The Entitlement Offer is not underwritten and there is no guarantee that any amount of the Shortfall (if any) will be successfully placed to investors.

The offer of any New Shares and New Options comprised in any Shortfall is a separate offer made pursuant to this Prospectus and will remain open for up to 3 months following the Closing Date. The purpose of offering New Shares and New Options comprised in the Shortfall pursuant to this Prospectus is to comply with section 708A(11) of the Corporations Act so that investors issued with New Shares and New Options pursuant to the placement of the Shortfall by the Advisers can sell their New Shares and New Options within the next 12 months without the issue of a prospectus.

Eligible Shareholders who subscribe for New Shares and New Options in excess of their Entitlement are not guaranteed to be issued those New Shares and New Options. The number, if any, of New Shares and New Options Eligible Shareholders will be issued in excess of their Entitlement will depend

on demand for New Shares and New Options from other Eligible Shareholders and from other persons to whom the Company decides to offer New Shares and New Options, and any scale-back that the Company may apply (in its absolute discretion).

You may apply for any New Shares and New Options comprised in any Shortfall by completing the relevant section of your Entitlement and Acceptance Form sent with the Prospectus or pursuant to a separate application form provided by the Advisers. Payment for New Shares and New Options comprised in the Shortfall must be made in the same manner as described in **section 3** of the Prospectus.

## **2.7 Eligible Shareholders**

Eligible Shareholders are those persons who:

- are registered as a holder of Shares as at 7.00pm (AEDT) on the Record Date;
- have a registered address in Australia, New Zealand, the United Kingdom, Norway, Germany, Liechtenstein, Hong Kong or the UAE (excluding the Dubai International Finance Centre) or are, in the opinion of the Company, otherwise eligible under all applicable securities laws to receive an offer of New Shares and New Options under the Entitlement Offer; and
- are not in the United States and are subscribing for the New Shares and New Options in an 'offshore transaction' (as defined in Rule 902(h) of the US Securities Act).

See below regarding the treatment of Foreign Shareholders.

## **2.8 Treatment of Foreign Shareholders**

This Prospectus and the accompanying Entitlement and Acceptance Form does not constitute an offer of New Shares and New Options in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer.

Return of a duly completed Entitlement and Acceptance Form or BPAY® payment will be taken by the Company to constitute a representation by the Applicant that there has been no breach of applicable securities laws.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and anyone who receives this Prospectus should seek advice on and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the New Shares or New Options or the Entitlement Offer, or otherwise permit a public offering of New Shares or New Options, in any jurisdiction outside Australia. New Shares or New Options may not be offered or sold in any country outside Australia except to the extent permitted below.

It is the responsibility of any Applicant to ensure compliance with any laws of the country relevant to their application. Return of a duly completed

Entitlement and Acceptance Form and/or payment of Application Money will be taken by the Company to constitute a representation that there has been no breach of such laws and that the Applicant is physically present in Australia, New Zealand, the United Kingdom, Norway, Germany, Liechtenstein, Hong Kong or the UAE (excluding the Dubai International Finance Centre).

### **New Zealand**

The New Shares and New Options are not being offered or sold to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares and New Options is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand).

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

### **United Kingdom**

Neither the information in this Prospectus nor any other document relating to the Entitlement Offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the *Financial Services and Markets Act 2000*, as amended (**FSMA**)) has been published or is intended to be published in respect of the New Shares and New Options. This Prospectus is issued on a confidential basis to fewer than 150 persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the New Shares and New Options may not be offered or sold in the United Kingdom by means of this Prospectus, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This Prospectus should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the New Shares and New Options has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to the Company.

### **Norway**

This Prospectus has not been approved by, or registered with, any Norwegian securities regulator under the *Norwegian Securities Trading Act of 29 June 2007*. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the *Norwegian Securities Trading Act of 2007*.

The New Shares and New Options may not be offered or sold, directly or

indirectly, in Norway except:

- to "professional clients" (as defined in *Norwegian Securities Regulation* of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in the regulation);
- to fewer than 150 natural or legal persons (other than "professional clients"); or
- in any other circumstances provided that no such offer of New Shares and New Options shall result in a requirement for the registration, or the publication by the Company or an underwriter, of a prospectus pursuant to the *Norwegian Securities Trading Act* of 29 June 2007.

### **European Economic Area – Germany and Liechtenstein**

The information in this Prospectus has been prepared on the basis that all offers of New Shares and New Options will be made pursuant to an exemption under the Directive 2003/71/EC (**Prospectus Directive**), as amended and implemented in Member States of the European Economic Area (each, a **Relevant Member State**), from the requirement to produce a prospectus for offers of securities.

An offer to the public of New Shares and New Options has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any legal entity that is authorised or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies 2 of the following 3 criteria:
  - balance sheet total of at least €20,000,000;
  - annual net turnover of at least €40,000,000; and
  - own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, **MiFID**);
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID;
- to fewer than 150 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of the Company or any underwriter for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Shares and New



Options shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

### **Hong Kong**

**WARNING:** The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Entitlement Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

### **UAE (excluding the Dubai International Finance Centre)**

Neither this Prospectus, the New Shares nor the New Options have been approved, disapproved or passed on in any way by the Central Bank of the UAE, the Emirates Securities and Commodities Authority or any other governmental authority in the UAE, nor has the Company received authorisation or licensing from the Central Bank of the UAE, the Emirates Securities and Commodities Authority or any other governmental authority in the UAE to market or sell the New Shares and New Options within the UAE. No marketing of any financial products or services may be made from within the UAE and no subscription to any financial products or services may be consummated within the UAE. This Prospectus does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the New Shares and New Options, including the receipt of applications and/or the allotment or redemption of New Shares and New Options, may be rendered within the UAE by the Company.

No offer or invitation to subscribe for New Shares and New Options is valid in, or permitted from any person in, the Dubai International Financial Centre.

### **United States**

This Prospectus may not be released or distributed in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this Prospectus have not been, and will not be, registered under the *US Securities Act* of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements under the US Securities Act and applicable US state securities laws.

### **Ineligible Shareholders**

Shareholders who are not Eligible Shareholders are **Ineligible Shareholders**.

The Company has determined, in reliance on ASX Listing Rule 7.7.1, that it would be unreasonable to extend the Entitlement Offer to Ineligible Shareholders, having regard to the:

- small number of Ineligible Shareholders;
- small number and value of the New Shares and New Options which would be offered to Ineligible Shareholders if they were Eligible Shareholders; and
- cost of complying with the legal and regulatory requirements in the

respective overseas jurisdictions.

Accordingly, the Entitlement Offer is not being extended to any Shareholders with registered addresses outside Australia, New Zealand, the United Kingdom, Norway, Germany, Liechtenstein, Hong Kong and the UAE (excluding the Dubai International Finance Centre), unless, in the opinion of the Company, that Shareholder would be eligible under all applicable securities laws to receive an offer of New Shares and New Options under the Entitlement Offer.

The Company will notify all Ineligible Shareholders of the Entitlement Offer and advise that the Company is not extending the Entitlement Offer to those Shareholders.

## **2.9 Trading of Entitlements**

Entitlements cannot be traded on ASX or any other exchange, or privately transferred.

## **2.10 ASX quotation and trading of New Shares and New Options**

The Company will apply to ASX for the official quotation of the New Shares and New Options within 7 days of the date of this Prospectus.

Subject to approval being granted, it is expected that normal trading of New Shares and New Options issued under the Entitlement Offer will commence on Monday, 30 December 2013. If ASX does not permit quotation within 3 months from the date of this Prospectus, the Application Monies will be refunded in full without interest.

Holding statements are expected to be dispatched to Eligible Shareholders on Friday, 27 December 2013. It is the responsibility of each Applicant to confirm their holding before trading in New Shares and New Options commences. Any Applicant who sells New Shares or New Options before receiving confirmation of their holding in the form of their holding statement will do so at their own risk. The Company disclaims all liability, whether in negligence or otherwise (and to the maximum extent permitted by law), to persons who trade New Shares or New Options before receiving their holding statements, whether on the basis of confirmation of the allocation provided by the Company or the Share Registry.

## **2.11 Rounding and determining Entitlements**

All Entitlements will be rounded up to the nearest whole number of New Shares and New Options.

The Company reserves the right (in its absolute discretion) to reduce the number of New Shares and New Options allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claims prove to be overstated.

## **2.12 Ranking of New Shares**

New Shares will be issued on a fully paid basis and will rank equally in all respects with Existing Shares.

### 2.13 Application Monies

All Application Monies will be held by the Company in a bank account on trust for Applicants until the New Shares and New Options are issued or, if the New Shares and New Options are not issued, until the Application Monies are returned to Applicants.

The bank account will be established and maintained by the Company solely for the purposes of depositing Application Monies and retaining those funds for as long as required under the Corporations Act.

Interest earned on the Application Monies will be for the benefit of, and will remain the property of, the Company and will be retained by the Company whether or not the allotment and issue of New Shares and New Options take place.

Amounts received by the Company in excess of your Entitlement (**Excess Amount**) may be treated as an Application to apply for as many Additional New Shares and New Options as your Excess Amount will pay for in full. Alternatively, your application may not be accepted.

Any Application Monies received for more than your final allocation of New Shares and Additional New Shares and New Options (if any) will be refunded as soon as practicable after the Closing Date (except for where the amount is less than the Offer Price, in which case it will be retained by the Company).

If the New Shares are not issued to you, a cheque will be drawn and relevant Application Monies will be refunded as soon as practicable after the Closing Date.

### 2.14 Withdrawal of the Entitlement Offer

The Company reserves the right to withdraw the Entitlement Offer at any time, in which case the Company will refund Application Monies in accordance with the Corporations Act and will do so without interest.

### 2.15 CHES

The Company participates in the Clearing House Electronic Subregister System (**CHES**). ASX Settlement Pty Ltd (**ASX Settlement**), a wholly-owned subsidiary of ASX, operates CHES in accordance with the ASX Listing Rules and ASX Settlement Operating Rules.

Under CHES, Applicants will not receive a certificate but will receive a statement of their holding of New Shares and New Options.

If you are broker sponsored, ASX Settlement will send you a CHES statement. The CHES statement will set out the number of New Shares and New Options issued to you under this Prospectus, and provide details of your holder identification number and the participant identification number of the sponsor. A CHES allotment advice will be despatched from the Share Registry on Friday, 27 December 2013.

If you are registered on the CHES Company sub-register, your statement will be despatched by the Share Registry on Friday, 27 December 2013 and will

contain the number of New Shares and New Options issued to you under this Prospectus and your security holder reference number.

A CHESSE statement or Company statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time. However, a charge may be incurred for additional statements.

## **2.16 Role of the Advisers**

Macquarie and Hartleys have been appointed to provide advice to the Company in relation to the Entitlement Offer. As the Entitlement Offer is not underwritten, the Company has also appointed Macquarie and Hartleys to assist it to place the Shortfall on a best endeavours basis.

The Company has agreed to pay the Advisers, in aggregate, the greater of \$400,000 and 5% of the proceeds received by the Company under the Entitlement Offer and any placement of the Shortfall.

## 3 How to Apply

### Eligible Shareholders

You should read this section in its entirety for instructions in relation to the choices available to you as an Eligible Shareholder. You should also refer to **section 2** for the details of the Entitlement Offer.

### Foreign Shareholders

Please refer to **section 2.8** to determine whether you are an Eligible Shareholder.

### 3.1 Choices available

Eligible Shareholders may do any of the following:

- take up all or part of their Entitlement (refer to **section 3.2**); or
- do nothing (refer to **section 3.3**).

Eligible Shareholders may also choose to apply for Additional New Shares and New Options as described in **section 2.3**.

You are not required to take any action in relation to the New Options. The New Options are free attaching Options and therefore 1 New Option will be issued along with each 1 New Share issued under the Entitlement Offer.

The Entitlement Offer is a pro-rata offer to Eligible Shareholders and is not underwritten. Eligible Shareholders who take up their Entitlement in full will not have their percentage Shareholding in the Company diluted by New Shares issued pursuant to the Entitlement Offer. The percentage Shareholding of Eligible Shareholders who do not take up all of their Entitlement will be diluted.

For further details on the effect of the Entitlement Offer on the Company, please refer to **section 4**.

### 3.2 If you wish to take up all or part of your Entitlement, including applying for any Additional New Shares and New Options

If you wish to take up all or part of your Entitlement, complete the Entitlement and Acceptance Form in respect of the number of New Shares and New Options (including any Additional New Shares and New Options) you wish to subscribe for and arrange for payment of the Application Monies in accordance with **section 3.4**.

### 3.3 If you wish to allow all or part of your Entitlement to lapse

If you decide not to accept all or part of your Entitlement to New Shares and New Options, or fail to accept by the Closing Date, the part of your Entitlement not accepted will lapse. The New Shares and New Options not subscribed for will form part of the Shortfall.

You should note that if you do not take up your Entitlement, then although you will continue to own the same number of Shares, your percentage Shareholding in the Company will be reduced.

### 3.4 Payment and return of Entitlement and Acceptance Form

You have two payment options in order to take up your Entitlement.

**Option 1: Submit your completed Entitlement and Acceptance Form together with a cheque, bank draft or money order.**

To follow Option 1, you should:

- complete the personalised Entitlement and Acceptance Form accompanying this Prospectus in accordance with the instructions set out on that form, and indicate the number of New Shares (including any Additional New Shares) you wish to subscribe for; and
- return the form to the Share Registry (address details below) together with a cheque, bank draft or money order which must be:
  - in respect of the full Application Monies (being \$0.064 multiplied by the number of New Shares (including any Additional New Shares you wish to subscribe for);
  - in Australian currency drawn on an Australian branch of a financial institution; and
  - made payable to 'Carnarvon Petroleum Limited' and crossed 'Not Negotiable'.

You should ensure that sufficient funds are held in the relevant account(s) to cover the Application Monies. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay for the number of New Shares you have applied for in your Entitlement and Acceptance Form in full, you will be taken to have applied for the lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your Entitlement and Acceptance Form). Alternatively, your Application will be rejected.

Cash payments will not be accepted. Receipts for payment will not be issued.

You need to ensure that your completed Entitlement and Acceptance Form and cheque, bank draft or money order reaches the Share Registry at the address below by no later than 5.00pm (AEDT) on Tuesday, 17 December 2013.

Your completed Entitlement and Acceptance Form should be returned to the Share Registry at the following address:

**By hand delivery**                      Carnarvon Petroleum Limited  
C/- Link Market Services Limited  
1A Homebush Bay Drive  
RHODES, NSW 2138

**By post**                                      Carnarvon Petroleum Limited  
C/- Link Market Services Limited  
GPO Box 3560  
SYDNEY NSW 2001

Entitlement and Acceptance Forms (and payment of Application Monies) may not be accepted if received after 5.00pm (AEDT) on Tuesday, 17 December

2013 or received at the Company's registered or corporate offices.

### **Option 2: Pay via BPAY® payment**

To follow Option 2, you should pay the full Application Monies, being \$0.064 multiplied by the number of New Shares comprising your Entitlement (plus any Additional New Shares), or, if you are subscribing for only part of your Entitlement, the number of New Shares you wish to subscribe for, via BPAY® payment in accordance with the instructions set out on the personalised Entitlement and Acceptance Form (which includes the biller code and your unique customer reference number). You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution.

Please note that if you choose to pay by BPAY® payment:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make the statements on that form; and
- if you subscribe for less than your Entitlement or do not pay for your full Entitlement, you are taken to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

You need to ensure that your BPAY® payment is received by the Share Registry by no later than 5.00pm (AEDT) on Tuesday, 17 December 2013. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure that funds are submitted through BPAY® by the date and time mentioned above.

### **Effect of returning Entitlement and Acceptance Form or making BPAY® payment**

If an Application is not completed or submitted correctly it may still be treated as a valid Application. The Company's decision whether to treat an Application as valid and how to construe, amend, complete or submit an Application is final.

Returning a completed Entitlement and Acceptance Form or making a BPAY® payment will be taken to constitute a representation by the Applicant that they:

- are an Eligible Shareholder;
- have received, read and understood a printed or electronic copy of this Prospectus and the accompanying Entitlement and Acceptance Form;
- agree to be bound by the terms of this Prospectus and the Constitution;
- declare that the law of any other place does not prohibit them from being given this Prospectus or making an application for New Shares or New Options;

- declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- declare that they are the current registered holder(s) of the Shares in their name at the Record Date;
- declare that they are over 18 years of age and have full legal capacity and power to perform all their rights and obligations under the Entitlement and Acceptance Form;
- acknowledge that once the Entitlement and Acceptance Form is returned or a BPAY® payment made their acceptance may not be withdrawn, except as allowed by law;
- agree to being issued the number of New Shares and New Options they apply for at the Offer Price (or a lower number issued in a way described in this Prospectus) and, subject to **section 2.3**, to being issued up to the number of Additional New Shares and New Options they apply for at the Offer Price;
- authorise the Company to register them as the holder(s) of the New Shares and New Options allotted or granted to them;
- acknowledge that the information contained in this Prospectus is not investment advice or a recommendation that New Shares or New Options are suitable for them, given their investment objectives, financial situation or particular needs; and
- authorise the Company and its officers or agents to do anything on their behalf necessary for New Shares or New Options to be issued to them, including correcting any errors in their Entitlement and Acceptance Form or other form provided by them and acting on instructions received by the Share Registry using the contact details in the Entitlement and Acceptance Form.

### 3.5 Enquiries

If you are in doubt as to the course you should follow, you should consult your stockbroker, accountant, solicitor or other professional adviser before deciding to invest. If you:

- have questions in relation to the Existing Shares upon which your Entitlement have been calculated;
- have questions on how to complete the Entitlement and Acceptance Form or take up your Entitlement; or
- have lost your Entitlement and Acceptance Form and would like a replacement form,

please contact the Carnarvon Petroleum Limited Offer Information Line on 1800 236 994 between 8:30am to 5:00pm (AEDT) Monday to Friday during the Offer Period.



## 4 Effect of the Entitlement Offer on the Company

### 4.1 Effect on the Company's capital structure

A comparative table of changes in the capital structure of the Company as a consequence of the Entitlement Offer is set out below, on the basis that the Entitlement Offer is fully subscribed and also on the basis that acceptances are received for only half of the Entitlements.

| <b>Shares</b>  | Pro forma – full take up | Pro forma – half take up |
|--|--------------------------|--------------------------|
| Shares on issue at date of this Prospectus                             | 937,796,875              | 937,796,875              |
| Issue of New Shares under the Entitlement Offer                        | 187,559,375              | 93,779,688               |
| <b>Total Shares on issue after completion of the Entitlement Offer</b> | <b>1,125,356,250</b>     | <b>1,031,576,563</b>     |

| <b>Options</b>   | Pro forma – full take up | Pro forma – half take up |
|--|--------------------------|--------------------------|
| Options on issue at date of this Prospectus                                | 0                        | 0                        |
| Issue of New Options under the Entitlement Offer (see <b>section 6.3</b> ) | 187,559,375              | 93,779,688               |
| <b>Total Options on issue after completion of the Entitlement Offer</b>    | <b>187,559,375</b>       | <b>93,779,688</b>        |

The above figures assume that no further Shares or Options are issued prior to the issue of New Shares and New Options under the Entitlement Offer. In addition, Shareholders should note that due to rounding of Entitlements under the Entitlement Offer to Shareholdings on the Record Date, among other things, the exact number of New Shares and New Options to be issued will not be known until completion of the Entitlement Offer.

### 4.2 Effect on the Company's financial position

This section provides relevant financial information for Shareholders to consider when assessing whether to participate in the Entitlement Offer, including details of the potential financial impact of the Entitlement Offer.

The pro forma financial information should be read in conjunction with the limitations explained in the Important Notices section of this Prospectus.

All financial information is presented in accordance with the measurement and recognition principles under AIFRS unless otherwise noted.

## Pro forma Statement of Financial Position

Set out below is the audited Statement of Financial Position for the Company at 30 June 2013, a pro forma Statement of Financial Position showing the financial position of the Company following the Entitlement Offer assuming that all Entitlements are taken up and a pro forma Statement of Financial Position showing the financial position of the Company following the Entitlement Offer assuming that only half of the Entitlements are taken up:

|   | 30 June<br>2013 (\$000) | Pro forma – full<br>take up (\$000) | Pro forma – half<br>take up (\$000) |
|---|-------------------------|-------------------------------------|-------------------------------------|
| <b>Current assets</b>                     |                         |                                     |                                     |
| Cash and cash equivalents                 | 19,525                  | 30,875                              | 25,075                              |
| Trade and other receivables               | 5,082                   | 5,082                               | 5,082                               |
| Inventories                               | 6,963                   | 6,963                               | 6,963                               |
| Other assets                              | 251                     | 251                                 | 251                                 |
| <b>Total current assets</b>               | <b>31,821</b>           | <b>43,171</b>                       | <b>37,371</b>                       |
| <b>Non-current assets</b>                 |                         |                                     |                                     |
| Property, plant and equipment             | 765                     | 765                                 | 765                                 |
| Exploration and evaluation<br>expenditure | 3,404                   | 3,404                               | 3,404                               |
| Oil and gas assets                        | 108,374                 | 108,374                             | 108,374                             |
| <b>Total non-current assets</b>           | <b>112,543</b>          | <b>112,543</b>                      | <b>112,543</b>                      |
| <b>Total assets</b>                       | <b>144,364</b>          | <b>155,714</b>                      | <b>149,914</b>                      |
| <b>Current liabilities</b>                |                         |                                     |                                     |
| Trade and other payables                  | 3,166                   | 3,166                               | 3,166                               |
| Employee benefits                         | 279                     | 279                                 | 279                                 |
| Current tax liability                     | 846                     | 846                                 | 846                                 |
| <b>Total current liabilities</b>          | <b>4,291</b>            | <b>4,291</b>                        | <b>4,291</b>                        |
| <b>Non-current liabilities</b>            |                         |                                     |                                     |
| Deferred tax liabilities                  | 43,245                  | 43,245                              | 43,245                              |

|                                      |        |         |         |
|--------------------------------------|--------|---------|---------|
| <b>Total non-current liabilities</b> | 43,245 | 43,245  | 43,245  |
| <b>Total liabilities</b>             | 47,536 | 47,536  | 47,536  |
| <b>Net assets</b>                    | 96,828 | 108,178 | 102,378 |
| <b>Equity</b>                        |        |         |         |
| Issued capital                       | 87,573 | 98,923  | 93,123  |
| Reserves                             | 857    | 857     | 857     |
| Retained earnings                    | 8,398  | 8,398   | 8,398   |
| <b>Total equity</b>                  | 96,828 | 108,178 | 102,378 |

#### Notes to pro forma statements

The unaudited pro forma consolidated Statements of Financial Position set out above have been prepared on the basis and assumption that there has been and will be no material movements in the assets and liabilities of the Company between 30 June 2013 and the Closing Date other than the issue of New Shares and New Options through the Entitlement Offer raising \$11.35 million (assuming that all Entitlements are taken up) and \$5.55 million (assuming that only half of the Entitlements are taken up) and after deducting expenses of the Entitlement Offer of \$650,000 (assuming that all Entitlements are taken up) and \$450,000 (assuming that only half of the Entitlements are taken up).

#### Expenses of Entitlement Offer

| Expense                  | All Entitlements taken up<br>(\$) | Half of the Entitlements<br>taken up<br>(\$) |
|--------------------------|-----------------------------------|--|
| Fees payable to Advisers | 600,000                           | 400,000                                      |
| Legal fees               | 30,000                            | 30,000                                       |
| Offer related fees       | 20,000                            | 20,000                                       |
| <b>Total</b>             | <b>650,000</b>                    | <b>450,000</b>                               |

## 5 Key Risks

### 5.1 Overview

The Company is a petroleum exploration and production company with assets in Thailand and Australia. Due to the nature of the Company's business activities and petroleum exploration and production interests, increasing your investment in the Company carries with it risks reasonably expected of an investment in a business of this type. Accordingly, whilst the Directors recommend the Entitlement Offer, New Shares and New Options offered pursuant to this Prospectus should be considered speculative. Petroleum exploration and production is a high risk endeavour and prospective investors should read the whole of this Prospectus and consider the risk factors described within it as well as consult their stockbroker, accountant, solicitor or other professional adviser in order to fully appreciate the manner in which the Company operates before deciding whether to apply for any New Shares and New Options.

By their nature, investments in petroleum exploration and production companies are subject to numerous risks and the current and future activities of the Company, including exploration, appraisal and production activities, may be affected by a range of factors, including, but not limited to, those discussed in this Prospectus. Accordingly, this section does not, and does not purport to, contain an exhaustive list of the risks associated with an investment in New Shares or New Options.

Before increasing your investment in the Company, you should consider whether this investment is suitable for you having regard to the risk factors set out below, publicly available information, your investment objectives and personal financial circumstances, and following consultation with your professional advisors.

A reference to the Company in this key risks section should be taken to include, where relevant, a reference to the Company's project interests.

### 5.2 Key Risks

#### Risks associated with the Company

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|                                       |  |
|---------------------------------------|--|
| <b>Phoenix South-1 well deepening</b> | The operator has proposed deepening the Phoenix South-1 well bore from the previous plan of 4,500 meters to 4,950 meters should the well intersect hydrocarbons. Deepening the well bore involves specific additional risks including, but not limited to, more complex drilling operations, unsustainable losses, intersecting unprognosed hydrocarbon zones, harder drilling resulting in slower rock penetration and heightened risk of down hole complications during drilling operations. |
| <b>Weather</b>                        | The availability of a suitable drilling rig, to drill the Phoenix South-1 well, is in a period known for cyclones in Western Australia. Furthermore, the deepening of the well further exposes drilling operations to such weather conditions.   |

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|   |   |
|---|---|
| <b>Exploration, operation and project risks</b> | The success of the Company's activities is dependent on changeable factors such as discovery and/or acquisition of economically recoverable reserves, access to adequate capital, securing and maintaining title to interests and obtaining consents.   |
| <b>Sovereign risk</b>                           | The Company has assets in Thailand. Risk exists regarding political, economic, regulatory and social uncertainties in Thailand.   |
| <b>Joint ventures</b>                           | <p>The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is, or may become, a party.</p> <p>Further, there are risks around the Company being able to fund its share of expenditure of any joint venture to which it is a party, and having its production entitlements diluted as a consequence.</p>   |
| <b>Leases and permits</b>                       | <p>The leases and permits in which the Company has an interest are subject to ongoing obligations to satisfy minimum drilling and expenditure obligations. If these obligations were not satisfied, the relevant lease or permit may expire or be forfeited, which would result in a loss of the reserves attributable to the Company's interest in that lease or permit.</p> <p>Oil and gas exploration leases and permits are subject to periodic review and renewal. In particular, there is no guarantee that applications for future exploration leases or permits or production leases or permits will be approved. Government authorities' review, renewal and transfer conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the leases or permits comprising the Company's projects. The imposition of new conditions or the inability to meet conditions may adversely affect the operations, financial positions and/or performance of the Company.</p> |
| <b>Fluid entry</b>                              | Fluid produced from new and existing wellbores within the oilfields in which the Company has an interest can range in composition and this composition can fluctuate over time. In particular, the percentage of formation water to crude oil can increase. New and existing wellbores on acreage in which the Company has an interest may experience restricted fluid entry. This can result from low or decreasing formation pressure, mechanical obstruction or other causes. This could cause production from the well to be uneconomic or could cause the Company to achieve lower than projected production rates.  |
| <b>Location of assets</b>                       | As the Company's assets are largely located in a specific region, a major natural disaster, political unrest or change to the regulatory requirements relevant to oil and gas tenements (including the applicable tax or royalty regime) or other similar event within the Company's geographic operational area could adversely affect the Company.  |
| <b>Personnel risks</b>                          | The loss of key management may have an adverse impact on the Company.   |

## Licensing

The Company requires approval from relevant regulatory bodies to operate petroleum properties in Thailand, Australia and any other countries in which it may operate. If these approvals are revoked in Thailand or Australia or not granted in other countries in which the Company seeks to expand its activities, the Company may be unable to achieve its objectives and this, as a result, could have a material adverse effect on the Company.

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## Risks associated with petroleum exploration and production operations

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Potential investors should understand that petroleum exploration and production activities are high-risk undertakings. Petroleum exploration and production may be impacted by circumstances beyond the control of the Company and are speculative operations which by their nature are subject to a number of inherent risks, including those summarised below.

- **Resource estimates** – these estimates are necessarily imprecise and depend to some extent on interpretations, which may prove inaccurate.
- **Replacement of reserves** – the Company's future success depends on its ability to find, develop or acquire additional oil and natural gas reserves that are economically recoverable.
- **Oil and gas price volatility** – the demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand and weather conditions. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations.

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## Risks associated with the Entitlement Offer

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There are certain risks associated with participating or not participating in the Entitlement Offer, including:

- your Shareholding in the Company may be diluted as a result of not taking up your full Entitlement;
- if the Company is unable to successfully complete the Entitlement Offer, it will have to consider alternative funding options, which may or may not be available on acceptable terms or may result in dilution to Shareholders; and
- the Company is likely to require additional capital in the future. The Company's ability to do this at an appropriate price will be significantly impacted by commodity prices, market conditions and the capital raising environment at that time.

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## General risks

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The business activities of the Company are subject to various general economic and investment risks that may impact on the future performance of the Company. These risk factors include, but are not limited to those summarised below.

- **Taxation and government regulations** - changes in taxation and government legislation in a range of areas (for example, the Corporations Act, accounting standards and taxation law) can have a significant influence on the outlook for companies and the returns to investors.
- **Investment in capital markets** - as with all stock market investments, there are risks associated with an investment in the Company. Securities listed on the stock market, and in particular securities of petroleum exploration and production companies, have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of Shares regardless of the Company's performance. The price of Shares might trade below or above the

Offer Price for the New Shares.

- **Accounting standards** - Australian accounting standards are set by the Australian Accounting Standards Board (AASB). Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in the Company's financial statements.
  - **General economic risks** - the operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, oil prices, inflation, interest rates and exchange rates, supply and demand, industrial disruption, access to debt and capital markets and government fiscal, monetary and regulatory policies. Changes in general economic conditions may result from many factors including government policy, international economic conditions, significant acts of terrorism, hostilities or war or natural disasters.
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## 6 Additional Information

### 6.1 Continuous disclosure

The Company is a 'disclosing entity' under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. Broadly, these obligations require:

- the preparation of yearly and half-yearly financial statements and a report on the Company's operations during the relevant accounting period together with an audit or review report on those operations by the Company's auditor; and
- the Company to notify ASX immediately of any information (subject to certain exceptions) of which it is or becomes aware which a reasonable person would expect to have a material effect on the price value of its securities. That information is available to the public from ASX.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

The Company will provide, free of charge, a copy of each of the following continuous disclosure documents to any person who makes a request for it during the Offer Period:

- the Company's annual report for the period ending 30 June 2013 (being the Company's most recent annual report lodged with ASIC before the date of this Prospectus); and
- any of the following continuous disclosure documents released to ASX by the Company after lodgement of the Company's annual report for the period ending 16 October 2013 and before the lodgement of this Prospectus with ASIC:

| <b>Document</b>   | <b>Date</b>      |
|---|------------------|
| Result of Annual General Meeting                            | 15 November 2013 |
| Annual General Meeting Presentation 2013                    | 15 November 2013 |
| Chairman's Address – CVN Annual General Meeting 2013        | 15 November 2013 |
| Thailand Drilling Update – WBEXT-2BST2                      | 15 November 2013 |
| Company Interview – Strong Operations & Exploration Outlook | 13 November 2013 |
| Appendix 3B   | 21 October 2013  |



| Document                                    | Date            |
|---|-----------------|
| Quarterly Activities Report September 2013  | 16 October 2013 |
| Notice of Annual General Meeting/Proxy Form | 16 October 2013 |

All requests for copies of the above documents should be addressed to:

Company Secretary  
Carnarvon Petroleum Limited  
Ground Floor  
1322 Hay Street  
West Perth  
Western Australia 6005

The above documents may also be obtained from the Company's website ([www.carnarvon.com.au](http://www.carnarvon.com.au)) and ASX's website ([www.asx.com.au](http://www.asx.com.au)). The Company's ASX code is 'CVN'.

## 6.2 Rights and liabilities attaching to New Shares

New Shares will be fully paid ordinary shares in the Company and will rank equally with the Shares already on issue.

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights and liabilities attaching to Shares. Full details of the rights and liabilities attaching to the Shares are contained in the Constitution and, in certain circumstances, are regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the common law. The Constitution is available for inspection free of charge at the Company's registered office during normal business hours.

### Issue of Shares

The power to issue Shares and other securities in the capital of the Company lies with the Board subject to the restrictions contained otherwise in the Constitution, the ASX Listing Rules and the Corporations Act.

### Voting

Every Shareholder present in person or by proxy at a meeting of Shareholders has one vote on a vote taken by a show of hands, and on a poll, every Shareholder who is present in person or by proxy has one vote for every fully paid Share held. A poll may be demanded at a meeting in the manner permitted by the Corporations Act.

### Dividends

Dividends are payable upon the determination of the Directors, who may fix the amount, time for payment and method of payment of dividends.

### Transfer of Shares

Subject to the Corporations Act, ASX Listing Rules and ASX Settlement

Operating Rules, a Shareholder may transfer Shares by an instrument in writing in a form approved by the Directors. Except as otherwise provided for in the ASX Listing Rules or the ASX Settlement Operating Rules, the Directors may in certain circumstances refuse to register any transfer of Shares, or request ASX Settlement or the Share Registry to apply a holding lock to prevent a proper transfer of Shares.

#### **Meetings and notice**

Each Shareholder is entitled to receive notice of, and to attend, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules. A Director may call a meeting of Shareholders and Shareholders may also requisition or convene general meetings in accordance with the procedures for Shareholder-initiated meetings set out in the Corporations Act. Shareholders must be given at least 28 days' written notice of any general meeting unless otherwise permitted by the Corporations Act.

#### **Rights on winding up**

All Shares rank equally in the event of a winding up, subject to any amount remaining unpaid on any Shares. Once all the liabilities of the Company are met, the liquidator may, with the sanction of a special resolution of the members, divide amongst the members all or any of the Company's assets and for that purpose determine how the liquidator will carry out the division between the different classes of members.

#### **Variation of rights**

If the Share capital is divided into different classes of Shares, the rights attached to any class may be varied or cancelled by a special resolution passed at a general meeting of the Shareholders in that class or with the written consent of three quarters of the Shareholders in that class.

#### **Unmarketable parcels**

If a Shareholder holds a number of Shares that is less than a marketable parcel (as defined in the ASX Listing Rules), the Company has the power to sell or dispose of such Shares unless otherwise instructed by the Shareholder. The net proceeds from the sale will be paid to the Shareholder.

### **6.3 Rights and liabilities attaching to New Options**

The terms and conditions of the New Options are as follows:

- Each New Option entitles the holder to subscribe for 1 Share upon exercise of the Option and payment of the Exercise Price (defined below).
- Each New Option is exercisable at \$0.10 (**Exercise Price**).
- The New Options automatically expire at 5.00pm AWST on 29 December 2015 (**Expiry Date**).

- The New Options will be quoted on ASX.
- The Company must give the holder of each New Option a certificate or holding statement stating:
  - the number of New Options issued to each holder;
  - the Exercise Price of the New Options; and
  - the date of issue of the New Options.
- Holders may exercise the New Options at any time up to the Expiry Date. Any New Option not exercised, automatically expires on the Expiry Date.
- New Options may only be exercised during the hours of 8.30am to 5.00pm AWST (**Business Hours**) by the delivery to the registered office of the Company or the Share Registry of a notice in writing stating the intention of the holder to:
  - exercise all or a specified number of the New Options; and
  - pay the Exercise Price in full for the exercise of each such New Option.
- A notice in writing received outside of Business Hours will be deemed received at the next opening of Business Hours.
- The exercise notice must be accompanied by the certificate or holding statement for the options being exercised and a cheque made payable to the Company for the Exercise Price for the New Options being exercised.
- The New Options will be deemed to have been exercised on the date the exercise notice is received or deemed to be received by the Company or the Share Registry.
- The Company will allot the Shares to which a holder is entitled following exercise of New Options and deliver a holding statement with respect to such Shares within the timeframe required by the ASX Listing Rules.
- The exercise of only some New Options will not affect the rights of the holder to the balance of the New Options held by them.
- If the holder of the New Options exercises less than the total number of New Options registered in the holder's name:
  - the holder of the New Options must surrender its option certificate, if one has been issued by the Company; and
  - the Company must cancel the certificate and issue the holder of the New Options a new certificate or holding statement stating the remaining number of New Options held by the holder and stating the information set out above.
- New Options will not confer an entitlement to receive dividends declared and paid by the Company, nor an entitlement to vote at

general meetings of the Company unless the holder of the New Options has exercised the New Options before the Exercise Date and participates as a result of holding Shares.

- All Shares issued on exercise of a New Option will:
  - rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Shares;
  - be issued credited as fully paid;
  - be duly authorised and issued by all necessary corporate action; and
  - be allotted and issued free from all liens, charges and encumbrances whether known about or not, including statutory and other pre-emption rights and any transfer restrictions.
- The Company will apply to ASX for official quotation of the Shares issued upon exercise of New Options within the time period required by the ASX Listing Rules.
- A holder of New Options does not have the right to participate in bonus issues or new issues of securities offered to Shareholders until Shares are allotted to the holder pursuant to the exercise of the New Options.
- In the event of a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the capital of the Company, the rights of the holders of New Options (including, without limitation, the number of New Options to which the Optionholder is entitled to and the Exercise Price) will be changed (as appropriate) in accordance with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- If the Company makes a pro-rata issue (other than a bonus issue) to existing Shareholders and no Share has been issued in respect of the New Option before the record date for determining entitlements to the issue, the Exercise Price of each New Option will be reduced in the manner permitted by the ASX Listing Rules applying at the time of the pro-rata issue.
- If the Company makes a bonus issue to existing Shareholders and no Share has been issued in respect of that New Option before the record date for determining entitlements to the issue, then the number of Shares over which that New Option is exercisable will be increased in the manner permitted by the ASX Listing Rules applying at the time of the bonus issue.
- The Company is entitled to treat the registered holder of a New Option as the absolute holder of that New Option and is not bound to recognise any equitable or other claim to, or interest in, that New Option on the part of any person other than the registered holder,

except as ordered by a court of competent jurisdiction or as required by statute.

#### **6.4 ASX waivers and ASIC relief**

The Company has confirmed that no waivers from the ASX Listing Rules are required in relation to the Entitlement Offer. The Company is not relying on any specific ASIC relief in order to conduct the Entitlement Offer.

#### **6.5 Privacy**

By filling out the Entitlement and Acceptance Form to apply for New Shares and New Options or paying your Application Monies by BPAY®, you are providing personal information to the Company.

The *Privacy Act 1988* (Cth) regulates the way the Company collects, uses, disposes, keeps secure and gives people access to their personal information.

The Company is committed to respecting the privacy of your personal information.

The Company collects, holds and uses that personal information in order to process your Application and to administer your Shareholding in the Company, including:

- the Company maintaining a register of Shareholders in accordance with the Corporations Act;
- the Company paying dividends to you;
- the Company communicating with you, such as sending you annual reports, notices of meetings and any other document which the Company wishes to send to you as a Shareholder;
- the Company carrying out general administration including monitoring, auditing, evaluating, modelling data, dealing with complaints and answering queries; and
- the Company complying with its legal and regulatory obligations.

If you do not provide the information requested in the Entitlement and Acceptance Form, the Company may not be able to process or accept your application for New Shares and New Options.

Your personal information may also be provided to other members of the Carnarvon Group on the basis that they deal with such information in accordance with the Company's privacy policy.

Your personal information may be provided to the Company's agents or service providers on the basis that they deal with such information in accordance with the Company's privacy policy.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be disclosed are:

- the Share Registry for ongoing administration of the share register

(the Share Registry is contracted by the Company to maintain the register);

- printers and mail houses for the purposes of preparation and distribution of documents to you and for handling mail;
- professional service providers such as lawyers, accountants, auditors, consultants, and other professional advisers for the purpose of administering, and advising on, the New Shares and New Options and for any associated actions; and
- other companies where the Company believes it is more efficient to outsource services or functions to those companies.

Your personal information may be provided to certain third parties. The types of third parties that may be provided with your personal information, and the circumstances in which your personal information may be disclosed, are:

- your financial adviser or broker (other than your tax file number information) in connection with services provided to you by your adviser or broker;
- government, regulatory authorities or other people when permitted or required by law, such as ASIC or people inspecting the share register in accordance with the Corporations Act;
- ASX; and
- in certain circumstances and with safeguards to respect your privacy, potential or actual purchasers of an interest in the Company or the Company's business or any part thereof.

You have the right to gain access to your personal information held by, or on behalf of, the Company, subject to certain exemptions under the law. A reasonable charge for providing access to personal information may be charged for providing access to personal information. You can request access to your personal information by telephoning or writing to the Company Secretary as follows:

Company Secretary  
Carnarvon Petroleum Limited  
Ground Floor  
1322 Hay Street  
West Perth  
Western Australia 6005

## 6.6 Consents

Each of the parties referred to as consenting parties who are named below:

- does not make the Entitlement Offer;
- has not authorised, and has not caused the issue of this Prospectus;
- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based;

- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus; and
- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

| Role           | Consenting parties           |
|----------------|------------------------------|
| Adviser        | Macquarie                    |
| Adviser        | Hartleys                     |
| Share Registry | Link Market Services Limited |

## 6.7 Directors', experts' and advisers' consents and interests

Other than as set out below or elsewhere in this Prospectus no:

- Director or proposed Director of the Company;
- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- promoter of the Company,

(together, the **Interested Persons**) holds at the date of this Prospectus or held at any time during the last 2 years, any interest 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 offer of New Shares and New Options under the Entitlement Offer; or
- the offer of New Shares and New Options.

### Directors' Relevant Interests in securities

As at the date of this Prospectus, the Directors had the following Relevant Interests in Shares:

| Director          | Number     |
|-------------------|------------|
| Peter J Leonhardt | 17,750,000 |
| Adrian Cook       | 6,000,000  |
| Ted Jacobson      | 31,297,635 |

| Director       | Number    |
|----------------|-----------|
| Neil Fearis    | 9,287,768 |
| William Foster | 121,955   |

As at the date of this Prospectus, the Directors had no Relevant Interests in Options.

### Remuneration

Directors are entitled to be remunerated by salary or other employment related benefits in accordance with their employment agreements. The table below sets out the remuneration paid to the Directors for the 2 financial years prior to the date of this Prospectus and for the current financial year until the date of this Prospectus:

| Director          | Remuneration paid in 30 June 2012 financial year | Remuneration paid in 30 June 2013 financial year | Remuneration paid in 30 June 2014 financial year to date of Prospectus |
|-------------------|--|--|--|
| Peter J Leonhardt | \$105,000  | \$105,000  | \$26,250   |
| Adrian Cook       | \$651,246  | \$545,000  | \$182,083  |
| Ted Jacobson      | \$62,500   | \$62,500   | \$15,625   |
| Neil Fearis       | \$62,500   | \$62,500   | \$15,625   |
| William Foster    | \$62,500   | \$62,500   | \$15,625   |

### Experts and advisers

Hartleys and Macquarie have acted as Advisers in relation to the Entitlement Offer. The Company has agreed to pay the Advisers, in aggregate, the greater of \$400,000 and 5% of the proceeds received by the Company under the Entitlement Offer and the placement of any Shortfall.

## 6.8 Australian taxation implications

Taxation implications will vary depending on the specific circumstances of individual Shareholders. Further, tax rules or their interpretation in relation to equity investments may change following the completion of the Entitlement Offer or Shortfall. You should obtain your own professional advice before concluding on the particular taxation implications that will apply to you if you participate in the Entitlement Offer or Shortfall.



## **6.9 Consents to lodgement**

Each Director has given, and has not withdrawn, their consent to the issue of this Prospectus and to its lodgement with ASIC under the Corporations Act.

## **6.10 Governing law**

This Prospectus and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Western Australia.

## 7 Glossary

| <b>Term</b>                                  | <b>Meaning</b>  |
|--|---|
| <b>\$</b>                                    | Australian dollars.   |
| <b>Additional New Shares and New Options</b> | The additional New Shares and New Options which Eligible Shareholders may apply for under this Prospectus above their Entitlement as set out in <b>section 2.3</b> and <b>Additional New Shares and New Options</b> are the relevant additional New Shares and New Options. |
| <b>Advisers</b>                              | Macquarie and Hartleys.   |
| <b>AEDT</b>                                  | Australian Eastern Daylight Time.   |
| <b>AIFRS</b>                                 | Australian equivalents to International Financial Reporting Standards.  |
| <b>Applicants</b>                            | An Eligible Shareholder who submits an Application together with Application Monies (each an <b>Applicant</b> ).  |
| <b>Application</b>                           | An application for New Shares and New Options under the Entitlement Offer made by an Applicant in an Entitlement and Acceptance Form or by payment via BPAY® or such other form as approved by the Company.   |
| <b>Application Monies</b>                    | Monies received from persons applying for New Shares under the terms of the Entitlement Offer.  |
| <b>ASIC</b>                                  | Australian Securities & Investments Commission.   |
| <b>ASX</b>                                   | ASX Limited, or the market operated by it, as the context requires.   |
| <b>ASX Listing Rules</b>                     | The official listing rules of ASX.  |
| <b>ASX Settlement</b>                        | ASX Settlement Pty Limited.   |
| <b>ASX Settlement Operating Rules</b>        | The settlement and operating rules of ASX Settlement.   |
| <b>AWST</b>                                  | Australian Western Standard Time.   |
| <b>Board</b>                                 | The board of Directors of the Company.  |
| <b>Business Hours</b>                        | 8.30am to 5.00pm AWST.  |
| <b>Carnarvon Group</b>                       | The Company and its Related Bodies Corporate.   |

| <b>Term</b>                            | <b>Meaning</b>  |
|--|---|
| <b>CHESS</b>                           | The Clearing House Electronic Subregister System operated by ASX Settlement.  |
| <b>Closing Date</b>                    | 5.00pm (AEDT) on Tuesday, 17 December 2013 (or such date as varied by the Company). Note that Applications made via BPAY® must be received by the Share Registry by 5.00pm (AEDT) on Tuesday, 17 December 2013. See <b>section 3.4</b> for further details.   |
| <b>Company or Carnarvon</b>            | Carnarvon Petroleum Limited ABN 60 002 688 851 and where the context requires, includes its wholly owned subsidiaries.  |
| <b>Constitution</b>                    | The constitution of the Company as at the date of this Prospectus.  |
| <b>Corporations Act</b>                | The <i>Corporations Act 2001</i> (Cth).   |
| <b>Director</b>                        | A director of the Company.  |
| <b>Eligible Shareholder</b>            | The meaning given in <b>section 2.7</b> .   |
| <b>Entitlement</b>                     | The number of New Shares and New Options for which an Eligible Shareholder is entitled to subscribe under the Entitlement Offer, in each case being 1 New Share for every 5 Shares held by the Eligible Shareholder on the Record Date together with 1 free attaching New Option for every 1 New Share issued under the Entitlement Offer. Your Entitlement is set out in the Entitlement and Acceptance Form accompanying this Prospectus. |
| <b>Entitlement and Acceptance Form</b> | A personalised acceptance form in the form accompanying this Prospectus pursuant to which Applicants may apply for New Shares and New Options.  |
| <b>Entitlement Offer</b>               | The offer of New Shares and New Options pursuant to this Prospectus and Offer means the Entitlement Offer.  |
| <b>Entitlement Offer Proceeds</b>      | The proceeds received by the Company as a result of the issue of Shares the subject of the Entitlement Offer.   |
| <b>European Economic Area</b>          | Comprises all member states of the European Union (EU), except Croatia which is expected to join later, plus Iceland, Liechtenstein and Norway  |
| <b>Exercise Price</b>                  | The meaning given in <b>section 6.3</b> .   |
| <b>Existing Shares</b>                 | Shares issued before 7.00pm (AEDT) on the Record Date.  |
| <b>Expiry Date</b>                     | The meaning given in <b>section 6.3</b> .   |

| <b>Term</b>                    | <b>Meaning</b>  |
|--------------------------------|---|
| <b>Hartleys</b>                | Hartleys Limited.   |
| <b>Ineligible Shareholders</b> | Shareholders who are registered as holders of Existing Shares but to whom the Entitlement Offer is not being made as set out in <b>section 2.7</b> .                        |
| <b>Interested Persons</b>      | The meaning given in <b>section 6.7</b> .   |
| <b>Macquarie</b>               | Macquarie Capital (Australia) Limited.  |
| <b>New Options</b>             | The Options offered on the basis of, and under the terms of, the Entitlement Offer, the rights and liabilities of which are summarised in <b>section 6.3</b> .              |
| <b>New Shares</b>              | A Share offered for subscription on the basis of, and under the terms of, the Entitlement Offer, the rights and liabilities of which are summarised in <b>section 6.2</b> . |
| <b>Offer Period</b>            | Refers to the period from the Opening Date to the Closing Date (inclusive of those dates).  |
| <b>Offer Price</b>             | \$0.064, the price payable for one New Share under the Entitlement Offer.   |
| <b>Opening Date</b>            | Tuesday, 3 December 2013.   |
| <b>Optionholders</b>           | The registered holder of an Option.   |
| <b>Options</b>                 | The listed options to acquire Shares.   |
| <b>Prospectus</b>              | This document, dated Wednesday, 20 November 2013.   |
| <b>Record Date</b>             | The date for determining the Entitlement of Shareholders under the Entitlement Offer, being 7.00pm (AEDT time) on Friday, 29 November 2013.                                 |
| <b>Related Body Corporate</b>  | The same meaning as in section 50 of the Corporations Act.  |
| <b>Relevant Interest</b>       | The same meaning as in section 9 of the Corporations Act.   |
| <b>Share</b>                   | A fully paid ordinary share in the capital of the Company.  |
| <b>Share Registry</b>          | Link Market Services Limited.   |
| <b>Shareholder</b>             | The registered holder of a Share.   |


| <b>Term</b>              | <b>Meaning</b>   |
|--------------------------|--|
| <b>Shareholding</b>      | The Shares held by a Shareholder.  |
| <b>Shortfall</b>         | Those New Shares and New Options not validly applied for by Shareholders under their Entitlement together with any New Shares and New Options that would have been offered to Ineligible Shareholders under the Entitlement Offer if they had been entitled to participate in the Entitlement Offer, which, subject to the Board's discretion regarding any applications received for Additional New Shares and New Options, may be placed following the close of the Entitlement Offer. |
| <b>Trading Day</b>       | The meaning given in the ASX Listing Rules.  |
| <b>UAE</b>               | United Arab Emirates.  |
| <b>US Securities Act</b> | <i>United States Securities Act of 1933, as amended.</i>   |

# Authorisation

This Prospectus is authorised by each Director of the Company under section 720 of the Corporations Act and signed by Adrian Cook on 20 November 2013 under section 351 of the Corporations Act.

Signed for and on behalf of  
**Carnarvon Petroleum Limited**

by

A handwritten signature in black ink, appearing to be 'A. Cook', written over a horizontal line.

Mr Adrian Cook  
Managing Director and Chief Executive Officer

# Corporate Directory

## **Board of Directors**

Peter J Leonhardt (Chairman)  
Adrian Cook (Managing Director and Chief Executive Officer)  
Ted Jacobson (Non Executive Director)  
Neil Fearis (Non Executive Director)  
William Foster (Non Executive Director)

## **Company Secretary**

Mr Thomson Naude

## **Advisers**

Macquarie Capital (Australia) Limited  
No. 1 Martin Place  
SYDNEY  
NSW 2000

## **Share Registry**

Link Market Services Limited  
Ground Floor  
178 St Georges Terrace  
Perth WA 6000

## **Registered Office**

Ground Floor  
1322 Hay Street  
West Perth  
Western Australia 6005

Hartleys Limited  
Level 6  
141 St Georges Terrace  
PERTH  
WA 6000

**SRN/HIN:**

**Entitlement Number:**

**Number of Eligible Shares held as  
at the Record Date, 7:00pm (AEDT)  
on 29 November 2013:**

**Entitlement to New Shares  
(on a 1 New Share for 5 basis):**

**Amount payable on full acceptance  
at A\$0.064 per Share:**

|  |                         |
|--|-------------------------|
| <b>Offer Closes<br/>5:00pm (AEDT):</b> | <b>17 December 2013</b> |
|--|-------------------------|

### ENTITLEMENT AND ACCEPTANCE FORM

As an Eligible Shareholder you are entitled to acquire 1 New Share for every 5 Existing Shares that you hold on the Record Date at an Offer Price of A\$0.064 per New Share, together with 1 free attaching Option for every 1 New Share issued. You may also apply for New Shares in excess of your Entitlement, at the Offer Price. This is an important document and requires your immediate attention. If you do not understand it or you are in doubt as how to deal with it, you should contact your accountant, stockbroker, solicitor or other professional adviser.

**IMPORTANT:** The Offer is being made under the Prospectus dated 20 November 2013. The Prospectus contains information about investing in the New Shares and New Options. Before applying for New Shares and New Options, you should carefully read the Prospectus. This Entitlement and Acceptance Form should be read in conjunction with the Prospectus. Capitalised terms in this Entitlement and Acceptance Form have the meanings given to them in the Prospectus.

If you do not have a paper copy of the Prospectus, you can obtain a paper copy at no charge, by calling the Carnarvon Petroleum Ltd Offer Information Line on 1800 236 994 (within Australia) or +61 1800 236 994 (from outside Australia).

#### PAYMENT OPTIONS

If you wish to take up all or part of your Entitlement (as shown above), or take up all of your Entitlement and apply for additional New Shares and New Options, you have two payment options detailed below.

##### OPTION 1: PAYING BY BPAY®

If paying by BPAY®, refer to the instructions overleaf. **You do NOT need to return the acceptance slip below if you elect to make payment by BPAY®.** Payment must be received via BPAY® before 5:00pm (AEDT) on 17 December 2013. You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry in time. By paying by BPAY® you will have deemed to have completed an Application Form for the number of Shares subject of your application payment.

##### OPTION 2: PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

If paying by cheque, bank draft or money order, complete and return the acceptance slip below with your Application Monies. No signature is required on the acceptance slip. The acceptance slip with your Application Monies must be received by the Registry before 5:00pm (AEDT) on 17 December 2013.



Billers Code: [XXXXXX]  
Ref:

##### Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. More info: www.bpay.com.au

© Registered to BPAY Pty Ltd ABN 69 079 137 518

See overleaf for details and further instructions on how to complete and lodge this Entitlement and Acceptance Form.

**THIS IS A PERSONALISED FORM FOR THE SOLE USE OF THE SHAREHOLDER AND HOLDING RECORDED ABOVE.**

Please detach and enclose with payment



**SRN/HIN:**

**Entitlement Number:**

**A** Number of New Shares accepted (being not more than your Entitlement shown above)

**B** Number of additional New Shares

**C** Total number of New Shares accepted (add Boxes A and B)

**D PLEASE INSERT CHEQUE, BANK DRAFT OR MONEY ORDER DETAILS** – Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to “Carnarvon Petroleum Ltd” and crossed “Not Negotiable”.

|                      |                      |                      |                      |                          |
|----------------------|----------------------|----------------------|----------------------|--------------------------|
| Drawer               | Cheque Number        | BSB Number           | Account Number       | Amount of Cheque         |
| <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | A\$ <input type="text"/> |

**E CONTACT DETAILS** – Telephone Number

Telephone Number – After Hours

Contact Name



# CARNARVON PETROLEUM LTD

The Entitlement Offer to which this Entitlement and Acceptance Form relates is not being made to investors located or resident outside of Australia, New Zealand, United Kingdom, Norway, Germany, Leichtenstein, Hong Kong or the UAE (excluding the Dubai International Finance Centre). In particular the Entitlement Offer is not being made to any person in the U.S. or to a U.S. person. The Prospectus and Entitlement and Acceptance Form do not constitute an offer or invitation to acquire Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

## ACCEPTANCE OF ENTITLEMENT OFFER

By either returning the Entitlement and Acceptance Form with payment to the Registry, or making payment received by BPAY®:

- you represent and warrant that you have read and understood the Prospectus and that you acknowledge the matters, and make the warranties and representations contained therein;
- you provide authorisation to be registered as the holder of New Shares and New Options acquired by you and agree to be bound by the Constitution of Carnarvon Petroleum Ltd.

## HOW TO APPLY FOR NEW SHARES

### 1. IF PAYING BY BPAY® (AVAILABLE TO SHAREHOLDERS WITH AN AUSTRALIAN BANK ACCOUNT ONLY)

If you elect to make payment using BPAY® you must contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. For more information on paying by BPAY®: [www.bpay.com.au](http://www.bpay.com.au)

Work out the total amount payable by you. To calculate the total amount, multiply the number of New Shares you wish to apply for by A\$0.064.

Refer overleaf for the Biller Code and Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares that you wish to apply for in respect of that holding.

### 2. IF PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

Complete all relevant sections of the Entitlement and Acceptance Form USING BLOCK LETTERS. These instructions are cross referenced to each section of the Entitlement and Acceptance Form.

#### A. Acceptance of New Shares

Enter into section A the number of New Shares you wish to apply for. The number of New Shares must be equal to or less than your Entitlement, which is set out overleaf.

#### B. Application for Additional New Shares

You can apply for more New Shares than your Entitlement. Please enter the number of **additional** New Shares above your Entitlement for which you wish to apply into Box B. Your Application for additional New Shares may not be successful (wholly or partially). The decision of Carnarvon Petroleum Ltd on the number of New Shares to be allocated to you will be final. No interest will be paid on any Application Monies received or returned.

#### C. Total Number of New Shares Subscribed for

To calculate total number of New Shares subscribed for, add Box A and Box B and enter this in Box C.

#### D. Cheque, bank draft or money order details

Enter your cheque, bank draft or money order details in section D. Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "Carnarvon Petroleum Ltd" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque or money order for the incorrect amount, Carnarvon Petroleum Ltd may treat you as applying for as many New Shares and Additional New Shares as your cheque, bank draft or money order will pay for.

#### E. Contact details

Enter your contact telephone number where we may contact you regarding your acceptance of New Shares, if necessary.

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## 3. HOW TO LODGE YOUR ENTITLEMENT AND ACCEPTANCE FORM

A reply paid envelope is enclosed for your use. No postage stamp is required if it is posted in Australia. Alternatively, if you have lost the reply paid envelope, or you have obtained the Prospectus electronically, your completed Entitlement and Acceptance Form with the payment for New Shares may be mailed to the postal address, or delivered by hand to the delivery address, set out below. **If paying by BPAY® you do not need to complete or return the Entitlement and Acceptance Form.** You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry by the close of the offer.

#### Mailing Address

Carnarvon Petroleum Ltd  
C/- Link Market Services Limited  
GPO Box 3560  
Sydney NSW 2001

#### Hand Delivery

Carnarvon Petroleum Ltd  
C/- Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138 **(Please do not use this address for mailing purposes)**

Make sure you send your Acceptance Slip and application payment allowing enough time for mail delivery, so Link Market Services Limited receives them no later than 5:00pm (AEDT) on 17 December 2013. Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. Carnarvon Petroleum Ltd reserves the right not to process any Acceptance Slips and cheques received after the Closing Date.

**If you require further information on how to complete this Entitlement and Acceptance Form, please contact the Carnarvon Petroleum Ltd Offer Information Line on 1800 236 994 (within Australia) or +61 1800 236 994 (from outside Australia) between 8:30am and 5:00pm (AEDT) Monday to Friday.**