

# Appendix 3B

30 June 2017



Dear Shareholders,

Carnarvon Petroleum Limited ("Company") has a shareholder approved Employee Share Plan ("ESP") which is used by the Board of Directors of the Company ("the Board") to provide long term incentives for executives and employees to share in the ownership of Carnarvon in order to:

- Provide a strategic and value based reward for those who make a contribution to that success;
- Align executives and employees' interests with the interests of shareholders;
- Promote the retention of executives and employees; and
- Promote the long-term success of the Company.

The Board has a number of strategic and value based targets for its executives and employees as part of its five year plan. The targets achieved in the 30 June 2017 financial year are as follows:

- Successful Roc-2 flow test;
- Gas and condensate discovery at Phoenix South-2 and associated insurance cost recovery;
- Securing new projects, in this case the award of WA-524-P (Maracas project);
- Materially advancing the North-West Shelf database and its associated intellectual property value;
- Completion of the Buffalo project reprocessing and prospect mapping; and
- Identifying two significant prospects in the Labryinth project.

In recognising that the above provide longer term value to the Company's share price, the Board approved an issue of 6,625,000 ESP shares to 13 executives and employees who made a contribution to meeting these targets. To secure these shares (namely to have them unencumbered), executives and employees must first pay the Company 10 cents per share.

The Board will also issue the Company's Managing Director, Mr Adrian Cook 1,500,000 ESP shares on the same terms as above. However, these shares will be issued following shareholder approval at the Company's 2017 Annual General Meeting.

The Board did not grant any short-term incentives this financial year based on a number of factors including current industry conditions and the Company's share price over the course of the financial year.

The ESP shares are issued to employees at 10 cents per share, being the scheme prescribed premium of 20% to the current Carnarvon share price. The only value to Carnarvon executives and employees is the amount by which the share price in the future exceeds 10 cents.

The ESP shares this year are subject to a vesting period over five years (previously four), with no ESP shares vesting within the first two years of issue (previously one). Based on feedback from shareholder groups, the Board this year decided to increase each vesting period by an additional year. The purpose of the change was to align the interest of executives and employees with shareholders over a longer period.

The Carnarvon ESP requires no cash outlay by the Company when these shares are issued, but generates cash (10 cents per share) for the Company from executives and employees when they unencumber their shares.

Yours faithfully

**William Foster**

Chairman of the Remuneration Committee  
Carnarvon Petroleum

**Shareholder enquiries:**

**Mr Thomson Naude**

Company Secretary

Phone: (08) 9321 2665

Email: [investor.relations@cvn.com.au](mailto:investor.relations@cvn.com.au)

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

# Appendix 3B

## New issue announcement, application for quotation of additional securities and agreement

*Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.*

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

CARNARVON PETROLEUM LIMITED

ABN

60 002 688 851

We (the entity) give ASX the following information.

### Part 1 - All issues

*You must complete the relevant sections (attach sheets if there is not enough space).*

- |   |  |   |
|---|--|---|
| 1 | +Class of +securities issued or to be issued   | Ordinary fully paid shares  |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued  | 6,625,000 ordinary shares   |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Issue of fully paid ordinary shares to participants in the Company's Employee Share Plan. |

+ See chapter 19 for defined terms.

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**New issue announcement**

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<p>4 Do the <sup>+</sup>securities rank equally in all respects from the date of allotment with an existing <sup>+</sup>class of quoted <sup>+</sup>securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	<p>Yes</p>
<p>5 Issue price or consideration</p>	<p>\$0.10 per share</p> <p>The issue price above is at least 120% of the market price of the Company's shares, being the weighted average sale price of ordinary shares sold through the ASX on the 5 trading days prior to the date the offer was made to the employee.</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>The Employee Share Plan has been designed to provide a strategic and value based reward for employees and executives who make a contribution to that success, align executives and employees interests with the interests of our shareholders, promote the retention of executives and employees and promote the long term success of the Company.</p>
<p>6a Is the entity an <sup>+</sup>eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the <sup>+</sup>securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>No</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>N/A</p>
<p>6c Number of <sup>+</sup>securities issued without security holder approval under rule 7.1</p>	<p>N/A</p>

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+ See chapter 19 for defined terms.

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6d	Number of <sup>+</sup> securities issued with security holder approval under rule 7.1A	N/A	
6e	Number of <sup>+</sup> securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	N/A	
6f	Number of securities issued under an exception in rule 7.2	6,625,000 ordinary shares issued under exception 9	
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.	N/A	
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	N/A	
7	Dates of entering <sup>+</sup> securities into uncertificated holdings or despatch of certificates	30 June 2017	
8	Number and <sup>+</sup> class of all <sup>+</sup> securities quoted on ASX (including the securities in section 2 if applicable)	Number 1,027,969,809	<sup>+</sup> Class Ordinary fully paid shares
9	Number and <sup>+</sup> class of all <sup>+</sup> securities not quoted on ASX (including the securities in section 2 if applicable)	Number 1,000,000	<sup>+</sup> Class Unlisted options with an exercise price of \$0.15 and an expiry date of 20 November 2020

+ See chapter 19 for defined terms.

## Appendix 3B New issue announcement

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- 10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests) N/A

## Part 2 – DELETED – NOT APPLICABLE

## Part 3 - Quotation of securities

*You need only complete this section if you are applying for quotation of securities*

- 34 Type of securities  
(tick one)

(a)  Securities described in Part 1

(b)  All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

### Entities that have ticked box 34(a)

#### Additional securities forming a new class of securities

*Tick to indicate you are providing the information or documents*

35  If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36  If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories  
1 - 1,000  
1,001 - 5,000  
5,001 - 10,000  
10,001 - 100,000  
100,001 and over

37  A copy of any trust deed for the additional +securities

### Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.

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+ See chapter 19 for defined terms.

- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
  - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



(Company Secretary)

Date: 30 June 2017

Print name:

Thomson Naude

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+ See chapter 19 for defined terms.

# Appendix 3B – Annexure 1

## Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12

**NOT APPLICABLE**

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