

Newport Energy Limited
ACN 140 709 360

Notice of Annual General Meeting and Explanatory Statement

2010 Annual Report:
<http://www.newportenergylimited.com>

**THIS IS AN IMPORTANT DOCUMENT
AND REQUIRES YOUR ATTENTION**

This document does not take into account your individual circumstances. If you are in doubt about how to deal with it, please consult your financial or other professional adviser.

**3.00 pm
Tuesday 5 April 2011
Cruising Yacht Club of Australia
1 New Beach Road
Darling Point, NSW, 2027**

Notice of Annual General Meeting

NOTICE is given that the Annual General Meeting of the Company will be held at Cruising Yacht Club of Australia, 1 New Beach Road, Darling Point, NSW, 2027, Australia at 3.00 pm on Tuesday 5 April 2011.

ORDINARY BUSINESS

1. Receipt of the Financial Report for the year ended 31 December 2010

Receipt of the Company's Financial Report and the Directors' Report and the Auditor's Report for the year ended 31 December 2010.

2. Remuneration Report

To consider and, if thought fit, pass the following Resolution:

“That the Remuneration Report in the Company's Annual Report be adopted.”

3. Elect Ms Kay Philip as a Director of the Company

To elect Ms Kay Philip as a Director of the Company, who, having been appointed as a Director, retires in accordance with the Constitution of the Company, and being eligible, offers herself for election.

4. Elect Mr. Graham Holdaway as a Director of the Company

To elect Mr. Graham Holdaway as a Director of the Company, who, having been appointed as a Director, retires in accordance with the Constitution of the Company, and being eligible, offers himself for election.

5. Grant of Over Riding Royalty of 0.5% in relation to PPL 326

To approve of the granting of an Over Riding Royalty of 0.5% in relation to PPL 326 to the Company's Exploration Manager, Dr Michael Swift.

Dated at Sydney, on the 4th day of March 2011



By order of the Board
Andrew J. Cooke
Company Secretary

2010 Annual Report:

The 2010 Annual Report will be available on the Company's Website:

<http://www.newportenergylimited.com>

Proxies

- A shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy or not more than two proxies to attend and vote instead of the shareholder.
- Where two proxies are appointed:
 - (i) a separate proxy Form, should be used to appoint each proxy;
 - (ii) the Proxy Form may specify the proportion, or the number, of votes that the proxy may exercise, and if it does not do so the proxy may exercise half of the votes.
- A shareholder can appoint any other person to be their proxy. A proxy need not be a shareholder of the Company. The proxy appointed can be described in the Proxy Form by an office held eg “the Chair of the Meeting”.
- In the case of shareholders who are individuals, the Proxy Form must be signed:
 - (i) if the shares are held by one individual, by that shareholder;
 - (ii) if the shares are held in joint names, by any one of them.
- In the case of shareholders who are companies, the Proxy Form must be signed:
 - (i) if it has a sole director who is also sole secretary, by that director (and stating the fact next to, or under the signature on the Proxy Form);
 - (ii) in the case of any other company by either two directors or a director and secretary.

The use of the common seal of the company, in addition to those required signatures, is optional.

- If the person signing the Proxy Form is doing so under a power of attorney, or is an officer of a company outside those referred to above but authorised to sign the Proxy Form, the power of attorney or other authorisation (or a certified copy of it), as well as the Proxy form, must be received by the Company by the time and at the place specified below.
- A Proxy Form accompanies this notice. To be effective, your proxy must be received by the Company no later than 48 hours before the time for the holding of the meeting:
 - (i) by **facsimile** : +61 2 8215 1600; or
 - (ii) by **mail** :

Newport Energy Limited
Level 8
65 York Street
Sydney NSW 2000
Australia

SHAREHOLDERS WHO ARE ENTITLED TO VOTE

In accordance with the *Corporations Act 2001 (Cth)*, the directors have determined that a person's entitlement to vote at the meeting will be the entitlement of that person set out in the register of members as at 7.00pm on 3 April 2011.

EXPLANATORY STATEMENT

1. Financial Report – Period ended 31 December 2010

The Corporations Act requires the financial report (which includes the financial statements and the directors' declaration), the directors' report and the auditor's report to be laid before the Annual General Meeting. There is no requirement either in the Corporations Act or in the Constitution of the Company for Shareholders to approve the financial report, the directors' report or the auditor's report. Shareholders attending the Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the financial report.

2. Resolution 2 – Remuneration Report

The Directors' Report for the period ended 31 December 2010 contains a Remuneration Report which sets out the policy on remuneration of the directors of the Company and specified executives on the Company.

The Corporations Act requires that a resolution be put to the vote that the Remuneration Report be adopted. The Corporations Act expressly provides that the vote is advisory and does not bind the directors of the Company.

Shareholders attending the Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

3. Resolution 3 – Election of Ms Kay Philip as a Director

Kay Philip ONM – Chairman

Ms Philip is a geophysicist whose background embraces project acquisition, financial analysis of resource projects and companies, mining exploration and management. She also has experience in the financial markets, including rights issues and other capital raisings.

Ms Philip has worked in the securities industry, conducting courses in Australia and South East Asia.

She is an Honorary Associate at the School of Physics, University of Sydney, and has been a director of a number of listed and unlisted companies in the financial and oil and gas sectors. Ms Philip is currently an independent non-executive director of AusTex Oil Limited. She is also a director of Proto Resources and Investments Limited (since 2006) and was a director of Stirling Resources Limited (formerly Alexanders Securities Limited) from 1985 to 2009 and Longreach Oil Limited from 1985 to 2009.

Ms Philip was decorated by the French government in 2005 with the award of Chevalier de l'Ordre National du Mérite (ONM), for facilitating collaborations between French and Australian scientists.

Ms Philip is a Senior Fellow of the Financial Services Institute of Australia (FINSIA), Member of the Australian Institute of Physics (AIP), Member Australian Society of Exploration Geophysicists (ASEG), Member of the Association of International Petroleum Negotiators (AIPN) and Secretary of the Australian-French Association for Science and Technology (AFAS).

4. Resolution 4 – Election of Mr. Graham Holdaway as a Director

Graham Holdaway – Non Executive Director

Mr Holdaway is an accountant with experience in the energy sector and in developing countries.

From 1984 to March 2010 Mr Holdaway was with the accounting firm KPMG. For 20 of those years he was an advisory partner in the Melbourne practice. He was a key member of KPMG teams advising the Victorian and South Australian governments on the reform and privatisation of their electricity and natural gas industries. He has since provided advice to Federal and State governments on energy policy and energy sector regulation. He has also advised many energy infrastructure owners on access regulation and pricing issues. Mr Holdaway also spent two periods (in total five years) with KPMG Indonesia based in Jakarta.

Mr Holdaway is an associate of the Institute of Chartered Accountants in Australia, and a member of the Australian Institute of Company Directors (AICD).

5. Resolution 5 - Grant Of Over Riding Royalty Of 0.5% In Relation To PPL 326

5.1 The Company employed Dr Michael Swift as Exploration Manager commencing 1 March 2010. At the time the Company anticipated that it would raise \$10 million through an initial public offering and list on the Australian Securities Exchange in 2010. This did not occur and the Company has subsequently conducted a private placement raising in the order of \$2.2 million as at the date of this Notice of Meeting.

5.2 As a result the Company has agreed to restructure its arrangements with Dr Swift in order to secure his ongoing participation in the future of the Company which the Board considers to be of significant importance to the Company in terms of achieving its corporate objectives and to reduce the Company's cash burn rate.

5.3 Under the restructured arrangements Dr Swift is to be paid Retention Payments as follows:

- \$200,000, where the Services have been provided in accordance with the Engagement up to and including the earlier of:
 - 31 October 2012; and
 - the date of termination of the Engagement by Newport for other than non-performance of the Engagement ("**Termination Event**"), ("**First Retention Date**"), such monies to be paid within 5 Business Days of the First Retention Date; and
- \$500,000, where the Services have been provided in accordance with the Engagement up to and including the earlier of:
 - 31 October 2014; and
 - the date of a Termination Event, ("**Second Retention Date**"), such monies to be paid within 5 Business Days of the Second Retention Date.

5.4 In addition Dr Swift is to be paid a Performance Bonus determined as follows:

The Bonus shall be an amount equivalent to the "**Bonus Factor**" multiplied by the "**Implied Farmout Value**", where:

- the Bonus Factor shall be one per cent (1%);
- the Implied Farmout Value shall be an amount calculated by the following:

$$IFV = (1 \div A) \times B$$

Where,

IFV = Implied Farmout Value,

A = total % equity interest to be earned under the Farmout Agreement by the Farminee in relation to the area subject of the Farmout Agreement after the contribution of B,

B = the total contribution (converted to Australian dollars) to be provided by the Farminee under the Farmout Agreement in order to earn A.

5.5 The Board has reviewed these arrangements with Dr Swift and believes that the interests of the Company would be better served by replacing the Retention Payments and the Performance Bonus with the grant of an Over Riding Royalty (ORR) as detailed in paragraph 5.6 below and propose to proceed that way if confirmed by shareholders passing this resolution.

5.6 The proposed terms of the ORR are:

- A Royalty (“**ORR**”) would be paid of half of one per centum (0.5%) of the Wellhead Value of all Petroleum produced and sold from the PPL 326 (“**Concession**”), where “**Wellhead Value**” shall mean the gross sales price received or realised by the owner of the Concession (“**Grantor**”) for such Petroleum at or computed back to the wellhead of the well from which such Petroleum is produced.
- The Royalty shall be calculated for each calendar month on the basis of the gross sales price received or realised by the Grantor during that month from the sale of Petroleum produced from the Concession.
- Where all or any part of the gross sales price received or realised by the Grantor during a month from the sale of Petroleum produced from the Concession is based on delivery of Petroleum beyond the wellhead of the well from which such Petroleum is produced, then in calculating the Wellhead Value of that Petroleum a reasonable allowance must be made for the cost of facilities to store; transport; treat, process or refining; and sell such Petroleum from the wellhead.
- The Retention Payment payable to Dr Swift pursuant to the terms of his employment shall cease to apply.
- The Performance Bonus payable to Dr Swift pursuant to the terms of his employment shall cease to apply.
- The ORR will be granted to Dr Swift with effect from the end of the Annual General Meeting of the Company to be held in 2011 (“**AGM**”);
- The ORR shall automatically cease to operate and be void on the happening of any of the following events during the period of 2 years from and including the date of the AGM (“**Retention Period**”):
 - Dr Swift breaches in any material way the confidentiality provisions of his terms of engagement;
 - Dr Swift does not promptly inform the Managing Director of the Company of any approach he receives from a third party where such approach is connected in any way (directly or indirectly) with PPL 326 or the area covered by PPL 326 or any part of either;
- The Retention Period shall be reduced to expire on the day on which a Fundamental Change occurs where such Fundamental Change occurs within the Retention Period and where “**Fundamental Change**” means:
 - a material downgrading of Dr Swift’s engagement with the Company or the diminution of his remuneration, functions or status in a material manner or to a material degree excluding any such downgrading or diminution arising with his consent;
 - the duties assigned to Dr Swift by the Company materially and fundamentally change without his consent such that they are no longer consistent with his current engagement (as amended from time to time with his agreement);
 - a person, or a group of associated persons, becomes entitled to sufficient shares in the Company to give that person or persons the ability, in general meeting, to replace all or a majority of the Board or a shareholder of the Company (alone or together with associates) or has procured the appointment to the Board of such number of directors who between them (taking into account the casting vote of the chairman) are able to control the decision making of the Board regardless of how this situation came about.

- 5.7 The Board believes that the granting of an ORR to Dr Swift on these terms will be an important driver to Dr Swift in terms of advancing PPL 326 to production as quickly as possible and in turn achieving added shareholder value at the earliest opportunity.
- 5.7 The proposed ORR will provide Dr Swift with ownership in a 0.5% interest in the production revenues from any production well within PPL 326, less the cost of production. Dr Swift will own only proceeds from the production derived from PPL 326 and not any underlying resource. The ORR interest will expire once PPL 326 has expired and production has stopped. Under the terms of the ORR Dr Swift will not share in any direct benefit out of PPL 326 until production is achieved.

NEWPORT ENERGY LIMITED

ACN 140 709 360

Proxy Form

Shareholder - please complete

(full name of shareholder - please print)

(address)

Please **post** to:

Level 8, 65 York Street
SYDNEY NSW 2000
Australia

or **Fax:** (02) 8215 1600

Enquiries: (02) 9419 4766

Appointment of Proxy

I/We being a member/s of Newport Energy Limited and entitled to attend and vote hereby appoint

the Chair of the Meeting (mark with an "X")

OR

Write here the name of the person you are appointing if this person is **someone other than** the Chair of the Meeting.

or failing the person named, or if no person is named, the Chair of the Meeting, as my/our Proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as my/our Proxy sees fit) at the Annual General Meeting of Newport Energy Limited to be held on 5 April 2011 at 3.00 pm and at any adjournment of that Meeting.

The Chair of the Meeting intends to vote undirected Proxies in favour of all resolutions.

Voting directions to your Proxy - please mark to indicate your directions

Resolution
Abstain

For Against Abstain Resolution

For Against

2. Remuneration Report

4. Elect Graham Holdaway as a Director

3. Elect Kay Philip as a Director

5. Approve grant of 0.5% ORR to Dr. Michael Swift

* If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll on that item and your votes will not be counted in computing the required majority on a poll on that item.

SIGNATURE/S - this form must be signed below where indicated

This section *must* be signed in accordance with the instructions under "Voting by Proxy" at the end of the Notice of General Meeting.

Individual or Company with Sole Director and Secretary

Sole director and sole company secretary

Shareholder 2 / Company

Director

Shareholder 3 / Company

Director/Company secretary

Contact name

Contact Daytime Telephone

Date