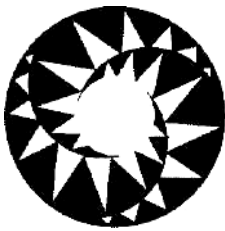


NOTICE OF ANNUAL GENERAL MEETING



Carnarvon Petroleum Limited

ABN 60 002 688 851

**Notice is given that the Annual General Meeting
of Carnarvon Petroleum Limited will be held at
The Western Australian Club
101 St Georges Terrace
Perth WA Australia
at 11.00am on Wednesday, 30 November 2005**

Carnarvon Petroleum Limited ABN 60 002 688 851
Registered Office: Level 50, 120 Collins Street, Melbourne VIC 3000
Telephone: +61 3 9225 5400, Facsimile +61 3 9225 5050

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Carnarvon Petroleum Limited ("Carnarvon" or "the Company") will be held at The Western Australian Club, 101 St Georges Terrace, Perth at 11.00am on Wednesday 30 November 2005.

Ordinary Business

Financial Statements and Reports

To receive and consider the Financial Statements and the Directors' Declaration and Report for the year ended 30 June 2005, together with the Auditor's Report to the Members of the Company.

Resolutions

Election of Directors

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. to re-elect Mr Andrew G Shelton as a Director:
"That Mr Andrew G Shelton, who retires by rotation in accordance with rule 35(c) of the Company's Constitution and, being eligible, be re-elected as a Director of the Company."
2. to elect Mr Peter J Leonhardt as a Director:
"That Mr Peter J Leonhardt, having been appointed a Director on 17 March 2005 in accordance with rule 35(a) of the Company's Constitution, retires under rule 35(b) and, being eligible, be elected as a Director of the Company."
3. to elect Mr Kenneth P Judge as a Director:
"That Mr Kenneth P Judge, having been appointed a Director on 1 April 2005 in accordance with rule 35(a) of the Company's Constitution, retires under rule 35(b) and, being eligible, be elected as a Director of the Company."

Special Business

4. Ratification of previous issue of shares

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

"That, for the purposes of Listing Rule 7.4 of the Australian Stock Exchange, the Company ratifies the issue of 39,833,333 ordinary shares at 1.8 cents per share on 22 July 2005."

5. Ratification of previous issue of options of Dalkeith Resources Pty Ltd

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

"That, for the purposes of Listing Rule 7.4 of the Australian Stock Exchange, the Company ratifies the issue of 1,000,000 options with an exercise price of 6 cents per option to Dalkeith Resources Pty Ltd as full payment of fees for consulting services in relation to the placement made to clients of Australian broking houses on 29 January 2004."

6. Approval of issue of shares to Andrew Shelton & Co Pty Limited

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

“That, for the purposes of Part 2E.1 of the Corporations Act, Listing Rule 10.11 of the Australian Stock Exchange, and for all other purposes, the Company approves the issue and allotment of 5,500,000 ordinary shares to Andrew Shelton & Co Pty Limited or nominee.”

7. Remuneration of non-executive Directors

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

“That, in accordance with rule 37 of the Company’s Constitution and Listing Rule 10.17 of the Australian Stock Exchange, the maximum aggregate amount payable to non-executive Directors of the Company by way of directors’ remuneration be increased from \$100,000 per year to \$200,000 per year.”

8. Appointment of Auditors

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

“That Grant Thornton are appointed auditors of the Company with effect from the date on which the resignation of Ernst & Young becomes effective.”

9. Adoption of the Remuneration Report for the year ended 30 June 2005

To consider and put to a non-biding vote the following resolution:

“That the Remuneration Report required by section 300A of the Corporations Act, as contained in the Directors’ Report of the Company for the year ended 30 June 2005, be adopted.”

BY ORDER OF THE BOARD



Rick A Pullia

Company Secretary

Melbourne, 14 October 2005

NOTICE OF ANNUAL GENERAL MEETING

Information for Members

For the purposes of voting at the meeting, shares of the Company will be taken to be held by the holders of those shares registered as such at 11.00am (Perth time) on Monday 28 November 2005. The entitlement of members to vote at the meeting will be determined by reference to that time.

A Proxy Form accompanies this Notice of Annual General Meeting.

A member who is entitled to attend and vote at this meeting is entitled to appoint not more than two proxies. A proxy need not be a member. Where the Chairman is appointed proxy, he will vote in accordance with the member's directions as specified on the Proxy Form or, in the absence of a direction, in favour of the resolution contained in this Notice.

A single proxy exercises all voting rights. Where a member wishes to appoint two proxies, an additional proxy form may be obtained by contacting the Carnarvon Petroleum Limited Share Registry or you may copy the enclosed proxy form. A member appointing two proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a member appoints two proxies and does not specify each proxy's voting rights, the rights are deemed to be 50% each. Fractions of votes are to be disregarded.

Proxy forms must be received by the Company at its registered office: Level 50, 120 Collins Street, Melbourne, Victoria 3000, Australia, or by facsimile to +61 3 9225 5050 by no later than 11.00am (Perth time) on Monday 28 November 2005.

Voting Exclusion Statement

The Company will disregard any votes cast on:

- (a) resolution 4, by any person who participated in the issue and their associates;
- (b) resolution 5, by Dalkeith Resources Pty Ltd and any associate of Dalkeith Resources Pty Ltd;
- (c) resolution 6, by Andrew Shelton & Co Pty Limited and any associate of Andrew Shelton & Co Pty Limited; and
- (d) resolution 7, by any of the Directors and their associates.

However the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides, but where the chairman is an associate of Andrew Shelton & Co Pty Limited, such votes will be disregarded in relation to Resolution 6.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES

Financial Statements and Reports

The Financial Statements of the Company and its controlled entities for the year ended 30 June 2005 and the Declaration and Report of the Directors and the Auditor's Report are set out in the Carnarvon Petroleum Annual Report 2005. Neither the Corporations Act 2001 nor the Company's Constitution requires a vote on the reports. However, shareholders will have an opportunity to ask questions and make comments on the reports and the Company's business and operation at the AGM.

1. Resolution 1 – Re-election of Andrew G Shelton as a Director

Under rule 35(c) of the Company's Constitution, one-third of the Directors are required to retire by rotation every year but are eligible to be re-elected.

Mr Andrew G Shelton is the Director to retire by rotation and, being eligible, offers himself for re-election as a Director. Information about Mr Shelton is set out below.

Andrew G Shelton, B.A., M.A(Cantab.), FAICD, Non-Executive Director

Age 58. Appointed director and Chairman on 1 April 2002 and was Chairman until 1 April 2005. Independent corporate finance adviser specializing in strategic and corporate finance advice, capital raisings, mergers and acquisitions, valuations and financial analysis. Principal and director of Andrew Shelton & Company Pty Ltd and Chairman of Whise Acoustics Limited. Past President & CEO of JP Morgan Canada. Chairman of the Audit Committee and Chairman of the Remuneration & Nomination Committee.

2. Resolution 2 – Election of Peter J Leonhardt as a Director

Under rule 35(a) of the Company's Constitution, the Directors may appoint a person as a director, either as an addition to the existing Directors or to fill a vacancy. Under rule 35(b) any person so appointed, other than the managing director, must retire from office at the next annual general meeting following his appointment.

Mr Peter J Leonhardt was appointed a Director on 17 March 2005. In accordance with rule 35(b), Mr Leonhardt now retires and, being eligible, offers himself for election as a Director. Information about Mr Leonhardt is set out below.

Peter J Leonhardt, FCA, FAICD, Non-Executive Chairman

Age 58. Appointed director 17 March 2005 and Chairman on 1 April 2005. Mr Leonhardt is an independent company director and advisor with extensive business, financial and corporate experience. He is a Chartered Accountant, former Senior Partner with PricewaterhouseCoopers and Managing Partner of Coopers & Lybrand in Western Australia.

Mr Leonhardt is a director of CTI Logistics Limited, Alliance Finance Corporation Limited and Titan Resources Limited together with a number private companies and is a former Chairman of Voyager Energy Ltd. He is also a director of the Western Australian Institute for Medical Research and a member of the Advisory Board of the Perth International Arts Festival.

NOTICE OF ANNUAL GENERAL MEETING

3. Resolution 3 – Election of Kenneth P Judge as a Director

Under rule 35(a) of the Company's Constitution, the Directors may appoint a person as a director, either as an addition to the existing Directors or to fill a vacancy. Under rule 35(b) any person so appointed, other than the managing director, must retire from office at the next annual general meeting following his appointment.

Mr Kenneth P Judge was appointed a Director on 1 April 2005. In accordance with rule 35(b), Mr Judge now retires and, being eligible, offers himself for election as a Director. Information about Mr Judge is set out below.

Kenneth P Judge, B.Com, LL.B, Non-Executive Director

Age 50. Appointed director 1 April 2005. Mr. Judge has extensive legal and business management experience having held a number of public company directorships and has been engaged in the establishment or corporate restructure of technology, mining and oil and gas companies in Australia, the UK, US, Brazil, Argentina, Mexico and the Philippines.

Mr. Judge is Chairman of Brazilian Diamonds Limited which is listed on the Toronto Stock Exchange and on the Alternative Investment market ("AIM") of the London Stock Exchange Plc. and is also Chairman of Hidefield Gold plc and a director of Block Shield Corporation, both of which are listed on AIM. Mr Judge is also Chairman of Alto Ventures Ltd and a director of Piper Capital Limited, Forum Developments Limited and Latin American Minerals Ltd which are listed on the TSX Venture Exchange and Chairman of Columbus Gold Corporation and Empire Mining Ltd.

4. Resolution 4 – Ratification of previous issue of shares

On 22 July 2005, the Company completed a share placement and issued 39,833,333 fully paid ordinary shares to existing and professional investors. The ordinary shares were issued at 1.8 cents per share raising \$717,000 which is being used to fund working capital and exploration and developments costs, as they arise, in the Company's interests in WA, PNG and Thailand.

Under Australian Stock Exchange ("ASX") Listing Rule 7.1, the Company is permitted to issue up to 15% of its securities within a 12 month period without shareholder approval. While shareholder approval for the issue of these ordinary shares was not required at the time of issue, the effect is to reduce the Company's capacity to issue additional securities in the future without the approval of shareholders.

Whilst the Company has no current intention to issue new securities, it is considered prudent to refresh the Company's ability to issue new securities up to the 15% threshold without having to again obtain shareholder approval. This will enable the Company to raise additional capital for its purposes and to take advantage of commercial opportunities that may arise in the course of the Company's activities as and when these opportunities arise, if the Directors consider this to be in the best interests of the Company.

This can be done under ASX Listing Rule 7.4 by seeking shareholder ratification of the share placement referred to above.

The names of the investors who participated in the share placement, and the number of shares allotted, are as follows:

<u>Name of Shareholder</u>	<u>No of ordinary shares allotted</u>
Tricom Nominees Pty Ltd	12,500,000
Wickham Holdings SA	8,333,333
Nefco Nominees Pty Ltd	5,111,111
Douglas Financial Consultants Pty Ltd	4,166,667
Petroleum Ventures Pty Ltd	3,722,222
Bayonet Investments Pty Ltd	3,000,000
Alexander Fleming Wylie	2,000,000
Toltec Holdings Pty Ltd	1,000,000

The Board recommends that shareholders vote in favour of the resolution.

NOTICE OF ANNUAL GENERAL MEETING

5. Resolution 5 – Ratification of previous issue of options of Dalkeith Resources Pty Ltd

Dalkeith Resources Pty Ltd trading as Dalkeith Corporate provided consulting services in relation to the placement made to clients of Australian broking houses on 29 January 2004.

The Board determined that it would grant 1,000,000 options to Dalkeith Resources Pty Ltd, exercisable at 6 cents and expiring on 31 December 2005, as full payment for performance of the consulting services, on the same terms as, and to rank pari passu in all respects with, the Company's listed options (CVNO).

Shareholders approved the grant of these options at an Extraordinary General Meeting of the Company on 17 March 2004 for the purposes of ASX Listing Rule 7.1, which provides that the Company may not issue securities exceeding 15% of its ordinary shares in any 12 month period without the approval of shareholders. Furthermore, the date by which the Company was required to issue the options, for which approval had been granted by shareholders, was to be no later than 3 months after the date of the meeting at which approval was given. However, the options were not issued to Dalkeith Resources Pty Ltd until 30 December 2004.

Whilst the Company has no current intention to issue new securities, it is considered prudent to refresh the Company's ability to issue new securities up to the 15% threshold without having to again obtain shareholder approval. This will enable the Company to raise additional capital for its purposes and to take advantage of commercial opportunities that may arise in the course of the Company's activities as and when these opportunities arise, if the Directors consider this to be in the best interests of the Company.

The Company now seeks ratification of the issue of options to Dalkeith Resources Pty Ltd.

This can be done under ASX Listing Rule 7.4 by seeking shareholder ratification of the issue and allotment of options referred to above.

The Board recommends that shareholders vote in favour of the resolution.

6 Resolution 6 – Approval of issue of shares to Andrew Shelton & Co Pty Limited

- 6.1 **Background and History** – During the financial year ended 30 June 2005, Andrew Shelton & Co Pty Limited (ACN 078 600 978) of Level 15, 90 Collins Street, Melbourne VIC 3000 ("ASCO") provided financial consulting services to the Company in relation to various strategic, commercial and corporate finance matters concerning the Company, the SW1A Concession in Thailand and the Company's joint venture partner, Tiger Petroleum Inc. The total cost of the consulting fees incurred by the Company during the financial year was \$189,734.00, of which \$89,734.00 was paid to ASCO during the year ended 30 June 2005, leaving a balance of consulting fees in the sum of \$100,000.00 payable by the Company to ASCO at 30 June 2005.
- 6.2 On 20 May 2005, the directors of the Company reached agreement with Mr Shelton to pay a minimum of \$50,000.00 of the consulting fees due to ASCO by an issue of shares to an equivalent value. On 20 May 2005, the Company's closing share price was 1.7¢ per share.
- 6.3 On 22 July 2005, pursuant to a capital raising, the Company issued 39,833,333 shares at 1.8¢ per share to investors.
- 6.4 Following the agreement on 20 May 2005 to pay a minimum of \$50,000.00 of the outstanding consulting fees due to ASCO by the issue of shares (when the Company's closing share price was 1.7¢ per share), on 2 August 2005 the directors of the Company reached agreement with Mr Shelton that ASCO would accept 5.5 million shares in satisfaction of the full balance of \$100,000.00 for the consulting fees due by the Company and the directors (excluding Mr Shelton) resolved to issue those shares to ASCO, subject to shareholder approval.
- 6.5 On the basis of the closing share price of 1.7¢ per share on 20 May 2005 that equated to a value of \$93,500.00, and on the basis of the capital raising, on 22 July 2005 at 1.8¢ per share, that equated to a value of \$99,000.00 for the 5.5 million shares. The weighted-average price of the Company's shares over the 5 days preceding the board meeting on 2 August 2005 was 2.5¢ per share, which equated to a value of \$137,500.00 for the 5.5 million shares. The value of the parcel of shares to ASCO will depend on the market value of the shares at the date of issue and also at the date(s) if and when the shares are sold.

NOTICE OF ANNUAL GENERAL MEETING

- 6.6 **Legislation and Listing Rules** – Section 228(2)(a) of the Corporations Act provides that directors of a public company are related parties of that Company. Andrew Grantley Shelton (“Mr Shelton”) is a director of the Company and as such is a related party of the Company.
- 6.7 Section 228(4) of the Corporations Act provides that an entity controlled by a related party (in this case Mr Shelton) is a related party of the public company (unless that entity is also controlled by the public company). ASCO is an entity owned and controlled by Mr Shelton, who is a related party of the Company. ASCO is consequently a related party of the Company.
- 6.8 Section 208(1)(a) of the Corporations Act prohibits the Company from giving a financial benefit (including an issue of shares) to a related party of a company without the approval of shareholders by a resolution passed in a general meeting at which no votes are cast in relation to the resolution by the related party or by an associate of the related party.
- 6.9 Chapter 10 of the Listing Rules contains certain provisions in relation to transactions between a company and persons in a position of influence. ASX Listing Rule 10.11 provides that a company must not issue equity securities to a related party without an approval of holders of ordinary securities by an ordinary resolution. The term “related party” is defined for the purposes of the ASX Listing Rule to include a related party within the meaning of section 228 of the Corporations Act. Listing Rule 10.13 sets out the information to be included in notices of meetings convened for the purposes of Listing Rule 10.11.
- 6.10 As set out above, ASCO is a related party within the meaning of section 228 of the Corporations Act and consequently also under Chapter 10 of the Listing Rules.
- 6.11 **Shareholder Approval** – Resolution 6 seeks the approval of the Company’s shareholders for the proposed issue of 5.5 million shares to ASCO or nominee, in consideration for payment of the balance of the consulting fees of \$100,000.00 due by the Company to ASCO, as required by the provisions of Part 2E.1 of the Corporations Act and Chapter 10 of the ASX Listing Rules, and for all other purposes.
- 6.12 **Views of the Directors** – The directors of the Company are Peter J. Leonhardt, David J. Orth, Neil C. Fearis, Ken P. Judge and Andrew G. Shelton. The views of the directors expressed in this section 6 exclude Mr Shelton, who makes no recommendation because he has an interest in the outcome of the proposed resolution.
- 6.13 **Number of Securities to be issued** – The number of shares for which approval is sought under Resolution 6 is 5,500,000 fully paid ordinary shares.
- 6.14 **Date of Issue** – The shares will be issued within 1 month after the date of the AGM.
- 6.15 **Statement of Relationship between Issue and the Company** – Mr Shelton is a director of the Company. ASCO is a company owned and controlled by Mr Shelton, who is the sole director and sole secretary of ASCO. ASCO is accordingly a related party of the Company.
- 6.16 **Issue Price and Terms of Issue** – The 5,500,000 fully paid ordinary shares will be issued in satisfaction of the balance of \$100,000.00 due to ASCO for consulting services provided by ASCO during the financial year ended 30 June 2005. The shares will be fully paid ordinary shares and will rank equally with all other fully paid ordinary shares in the Company. The Company will apply for ASX quotation of the shares.
- 6.17 **Use of Funds** – The shares will be issued to satisfy the Company’s liability to pay the balance of \$100,000.00 due to ASCO for consulting services provided by ASCO during the financial year ended 30 June 2005.
- 6.18 **Evaluation and Benefits** – Each of the directors (excluding Mr Shelton) considers that the benefits proposed by the resolution are that the Company will be able to satisfy a debt in the sum of \$100,000.00 due by the Company to ASCO by the issue of 5.5 million shares rather than utilising its cash reserves for that purpose.
- 6.19 The average trading volume of the Company’s shares over the past 12 months is some 19,374,669 shares per month. In the circumstances, the directors believe that in view of the volume of shares traded, that the market price of the Company’s shares is an appropriate method of valuation for the parcel of 5.5 million shares to be issued to ASCO.

NOTICE OF ANNUAL GENERAL MEETING

- 6.20 The market value of the parcel of 5.5 million shares will depend on the current trading price of the Company's shares at the time. So for example (as set out above), when agreement was reached with Mr Shelton on 20 May 2005 to pay a minimum of \$50,000.00 of the debt by the issue of shares, the closing price of the Company's shares was 1.7¢ per share. On the basis of an issue of 5.5 million shares, that equated to a market value of \$93,500.00 at that date.
- 6.21 The cost to the Company of issuing the shares to ASCO to satisfy the Company's liability for the consulting fees would depend on the price (at the time when the issue is made) at which the Company could make a separate placement of shares to an investor to raise sufficient funds to pay the \$100,000.00 debt to ASCO in cash. For example, if the Company were to make a placement of shares to an investor at 1.8¢ per share, then the Company would have to issue and allot a minimum of 5.56 million shares to raise \$100,000.00. On the other hand, if, for example, the Company were able to make a placement to an investor at 2.5¢ per share, the Company would have to place 4 million shares to raise \$100,000.00, a "saving" of 1.5 million shares.
- 6.22 The directors are reluctant to utilise the Company's fundraising capacity at this point to raise cash to pay the balance of the consulting fees due to ASCO, when ASCO is prepared to accept payment by way of an issue of 5.5 million shares. The directors wish to preserve the company's fundraising capacity and its cash reserves for working capital and to meet anticipated exploration and development expenses as these arise.
- 6.23 **Mr Shelton's Remuneration** – For the year ended 30 June 2005, the total remuneration of Mr Shelton, including salary, superannuation and other benefits was as follows:
- Salary and fees \$42,167;
 - Superannuation \$4,500;
 - Total Remuneration \$46,667.
- Mr Shelton's current remuneration, inclusive of superannuation, is \$30,000 per annum.
- 6.24 In addition, ASCO has earned consulting fees in the financial year ended 30 June 2005 totalling \$189,734 and \$20,000 the in financial quarter ended 30 September 2005. No further fees are due to ASCO.
- 6.25 **Interests of Mr Shelton and ASCO in the Securities of the Company** – As at 14 October 2005 Mr Shelton (and his associates) had a relevant interest in 9,208,906 shares in the Company (2.95%). This does not include the 5.5 million shares, the subject of Resolution 6.
- 6.26 At that date, Mr Shelton (and his associates) also had a relevant interest in 1,600,743 options in the Company with an exercise date of 31 December 2005 and exercisable at 6 cents per option, which were received pursuant to a pro-rata capital raising in 2004.
- Note:** The above figures do not take account of any future acquisitions by Mr Shelton or his associates in the market, or the exercise of any options by Mr Shelton or his associates.
- 6.27 ASCO does not hold any shares or options in the Company.
- 6.28 **Dilution Effect of the Shares on the Capital of the Company** – The effect of the proposed issue of 5.5 million shares to ASCO is as follows:
- Number of shares in the Company currently on issue – 312,145,846.
 - Shares to be issued to ASCO, on approval by shareholders – 5,500,000.
 - Adjusted Share Capital – 317,645,846.
 - Percentage Increase in Share Capital – 1.76%.

NOTICE OF ANNUAL GENERAL MEETING

6.29 **Trading History** – The highest and lowest trading prices of the Company's shares in the period 1 October 2004 to 14 October 2005 are as follows:

- High – 3.7¢ per share on 12 September 2005.
- Low – 1.6¢ per share on 13 May 2005.
- Closing share price – 2.8¢ per share on 14 October 2005.

The average monthly trading volume of the Company's shares in that period was 19,374,669.

6.30 **Directors' Recommendation and interest in the outcome** – Each of the directors of the Company, with the exception of Mr Shelton, who has abstained and who makes no recommendation because his company, Andrew Shelton & Co Pty Limited has an interest in the outcome of the proposed resolution, recommends that shareholders support the proposed resolution.

6.31 Save for Mr Shelton (whose interests are set out above) none of the directors has any interest in the outcome of this Resolution 6.

6.32 **ASIC and ASX Approval** – The Corporations Act and the Listing Rules require the Company to lodge copies of the Notice of General Meeting, Explanatory Memorandum and all other documents being dispatched to shareholders in relation to the issue of shares to ASIC for comment.

6.33 The fact that the accompanying Notice of Meeting and this Explanatory Memorandum and accompanying documentation have been received by the ASX and ASIC is not to be taken as an indication of the merits of the proposals. The ASIC, ASX and their respective officers take no responsibility for any decision a shareholder may make in reliance on that documentation.

The Board (excluding Mr Shelton, who makes no recommendation because he has an interest in the outcome) recommends that shareholders vote in favour of the resolution.

7. Resolution 7 – Remuneration of Non-executive Directors

The aggregate maximum amount payable to non-executive Directors of the Company in a financial year is \$100,000. This amount has not been increased since the Company listed on the ASX over 20 years ago.

During the year two additional non-executive Directors were appointed to the Board, Mr PJ Leonhardt and Mr KP Judge. Their appointment has brought additional appropriate skills and experience to the Company and has enabled the Board to now comprise a majority of independent, non-executive Directors, in accordance with good corporate governance practices.

The remuneration provided to each non-executive Director for the financial year ended 30 June 2005 is detailed in the Remuneration Report contained within the Directors' Report of the 2005 Annual Report. Based on the current level of remuneration the Company will exceed the \$100,000 aggregate maximum amount payable to non-executive Directors in the financial year ending 30 June 2006.

Under ASX Listing Rule 10.17, the Company must not increase the total amount payable to non-executive Directors without the approval of shareholders. It is proposed to increase the aggregate maximum amount payable to non-executive Directors of the Company from \$100,000 to \$200,000.

The Board does not make any recommendation in respect of this resolution given the interest of the non-executive Directors in the resolution.

NOTICE OF ANNUAL GENERAL MEETING

8. Resolution 8 – Appointment of Auditors

Grant Thornton has been nominated by a member of the Company to fill the office of auditor as required by the Corporations Act. A copy of the member's nomination is attached to this notice.

Grant Thornton's appointment is subject to the resignation of the existing auditor, Ernst & Young, which will only become effective upon the consent to Ernst & Young's resignation by the Australian Securities and Investments Commission.

Grant Thornton is a recognised Australian and International accounting practice. Grant Thornton has consented to act as auditor.

The Board recommends the appointment of Grant Thornton to be the Company's auditor subject to, and upon, the Australian Securities and Investments Commission consenting to the resignation of the existing auditor, Ernst & Young.

Subject to ASIC consent, the Board recommends that shareholders vote in favour of the resolution.

9. Resolution 9 – Adoption of the Remuneration Report for the year ended 30 June 2005

The Directors' Report for the year ended 30 June 2005 contains a Remuneration Report, which sets out the policy for remuneration of Directors and executives.

In accordance with section 250R of the Corporations Act, the Company submits to shareholders for consideration and adoption by way of a non-binding resolution its Remuneration Report for the year ended 30 June 2005.

At the AGM there will be a reasonable opportunity for discussion of the report.

The Board recommends that shareholders vote in favour of the resolution.

Arne Investments Pty Ltd
Level 15
90 Collins Street
Melbourne VIC 3000

12 October 2005

The Directors
Carnarvon Petroleum Limited
Level 50
120 Collins Street
Melbourne Victoria 3000

Dear Sirs,

Re: Nomination of Auditor

In accordance with the provisions of Section 328B(1) of the Corporations Act, Arne Investments Pty Ltd, being a member of Carnarvon Petroleum Limited, hereby nominates Grant Thornton of Level 6, 256 St Georges Terrace, Perth, for appointment as auditor of the Company at the Annual General Meeting to be held on 30 November 2005.

Yours faithfully,
Arne Investments Pty Ltd

A handwritten signature in black ink, appearing to read 'Andrew G Shelton', with a horizontal line extending to the right.

Andrew G Shelton
DIRECTOR