



CARNARVON
PETROLEUM
LIMITED
ABN 60 002 688 851

26 February 2004

Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
20 Bond Street
SYDNEY NSW
Via ASX Online

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SUBJECT: Rights Issue – Applications Closing March 2, 2004

Acceptances for the Non-Renounceable Rights Issue to eligible Shareholders will close next Tuesday, 2 March 2004.

Shareholders of record on 13 February 2004 are offered one fully paid New Share at a price of 3.3 cents for every five shares presently held, and one New Option for every two New Shares taken up. The New Options are exercisable at 6 cents on or before 31 December 2005. Application has been made to the ASX to list the New Options for trading. The New Options are intended to provide Shareholders with an immediate benefit and the opportunity to participate in the future upside of the Company.

Shareholders may also apply for additional New Shares with attaching New Options in excess of their entitlement. The Director's will give priority allocation to existing Shareholders of any shortfall in the take up of New Shares and Options. The Director's policy on the allocation of any shortfall in the take up of entitlements is set out in the Prospectus in Section 1.13

Eligible Shareholders wishing to take up their entitlement should forward the Entitlement and Acceptance form, with payment by cheque or bank draft payable to Carnarvon Petroleum Limited – Rights Issue Account, to the Company's share registry, Computershare Investor Services Pty Limited, Level 2, 45 St George's Terrace, Perth WA 6000 no later than 5.00 pm WST on 2 March 2004.

The Company is encouraged by the initial results of the recently, successfully completed drilling of two wells in the Phase III drilling program in the Wichian Burri Oilfield, in central Thailand. The Company is keen to progress the development of the oil field in Thailand and to improve cash flow with the drilling of further production wells. Funds raised by the rights issue will be used as working capital by the Company, and to fund its share of further development drilling in the Wichian Buri Oil Field, in which the Company has a 40% interest.

The Directors of Carnarvon believe that the pricing of the rights issue is attractive and are unanimous in recommending the issue to Shareholders. Each Director intends to take up his entitlement in full. Entities associated with certain Director's have partially underwritten the rights issue.

Yours faithfully,
CARNARVON PETROLEUM LIMITED

Trevor Irwin
Company Secretary

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