

## **Carnarvon Petroleum Limited**

**ABN 60 002 688 851**

**Notice is given that the Annual General Meeting  
of Carnarvon Petroleum Limited will be held at**

**Royal Perth Yacht Club  
Australia II Drive, Crawley  
Perth, Western Australia.**

**at 11.00am on Thursday, 30th November 2006**

**Carnarvon Petroleum Limited ABN 60 002 688 851**

Registered Office: Suite 3, 16 Ord Street, West Perth, WA 6005  
Telephone: +61 8 9321 2665, Facsimile +61 8 9321 8867

Notice is given that the Annual General Meeting of Carnarvon Petroleum Limited ("Carnarvon" or "the Company") will be held at Royal Perth Yacht Club, Australia II Drive, Crawley, Perth, Western Australia at 11.00am on Thursday, 30th November 2006.

## **Ordinary Business**

### ***Financial Statements and Reports***

To receive and consider the Financial Statements and the Directors' Declaration and Directors' Report for the year ended 30 June 2006, together with the Auditor's Report to the members of the Company.

### ***Resolutions***

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

**1. To re-elect Mr Neil C Fearis as a director:**

*"That Mr Neil C Fearis, 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. Ratification of share issue:**

*"That, for the purposes of Listing Rule 7.4 of the Australian Stock Exchange, the Company ratifies the issue of 50,000,000 ordinary shares at 5 cents per share on 10 August 2006."*

**3. Re-adoption of the Carnarvon Employee Share Plan**

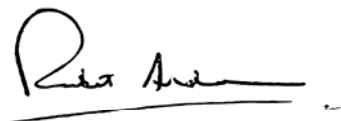
*"That for the purpose of Australian Stock Exchange Limited ("ASX") Listing Rule 7.2 Exception 9 and all other purposes, the Company approves the issue of shares under the Carnarvon Employee Share Plan for a period of 3 years commencing on the date of this meeting as an exception to ASX Listing Rule 7.1"*

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

**4. Adoption of the Remuneration Report for the year ended 30 June 2006**

*"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 2006, be adopted."*

By order of the board



RA Anderson  
Company Secretary  
Perth, 30 October 2006

## 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 close of business on 28 November 2006. 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 of Annual General Meeting.

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 should be returned to Computershare Investor Services Pty Limited

- in the enclosed reply paid envelope; or
- by facsimile to +61 8 9323 2033; or
- in person, to Computershare Investor Services Pty Limited, Level 2, 45 St Georges Terrace, Perth WA 6000; or
- by mail, to Computershare Investor Services Pty Limited, GPO Box D182, Perth WA 6840, Australia

or may alternatively be sent to the Company at its registered office:

- in person, to Carnarvon Petroleum Limited, Suite 3, 16 Ord Street, West Perth, WA 6005; or
- by mail, to Carnarvon Petroleum Limited, PO Box 99, West Perth, WA 6872, Australia; or
- by facsimile to +61 8 9321 8867

by no later than 11.00am (Perth time) on Tuesday 28 November 2006.

## Voting Exclusion Statement

The Company will disregard any votes cast on:

- (a) resolution 2, by any person who participated in the issue and their associates; and
- (b) resolution 3, by any director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company).

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

## **Explanatory Notes**

### **Financial Statements and Reports**

The Financial Statements of the Company and its controlled entities for the year ended 30 June 2006, and the Declaration and Report of the Directors and the Auditor's Report are set out in the Carnarvon Petroleum Limited 2006 Annual Report.

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 operations at the Annual General Meeting.

### **Resolutions**

#### **1. Resolution 1 – Election of Neil C Fearis 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 Neil C Fearis is the director to retire by rotation and, being eligible, offers himself for re-election as a director.

Mr Fearis was appointed a director in November 1999 and has 29 years' experience as a commercial lawyer in the UK and Australia. Mr Fearis is also a member of several professional bodies associated with commerce and law.

Mr Fearis is a member of the Audit Committee.

## **2. Resolution 2 - Ratification of share issue**

On 10 August 2006 the Company raised \$2,500,000 via the issue of 50 million fully paid ordinary shares at 5 cents per share to a range of institutional and other exempt investors introduced by the stockbroking firm, Hartleys Limited.

Listing Rule 7.1 provides that a listed company may not issue equity securities in any 12 month period that exceed 15% of the number of the Company's securities on issue unless a specified exception applies to the issue or shareholders approve the precise terms and conditions of the issue.

Listing Rule 7.4 provides that an issue of securities that is made without approval of shareholders under Listing Rule 7.1 will be treated as having been made with approval if the issue did not breach ASX Listing Rule 7.1 and the Company's shareholders subsequently approve that issue.

The effect of that subsequent approval is to restore the Company's discretionary power to issue further shares up to 15% of its issued capital without having to obtain prior shareholder approval.

The Company seeks ratification and approval of the share issue made on 10 August 2006 in order to refresh and maintain its capacity to issue up to 15% of its issued share capital without the need to revert to shareholders for approval.

For the purposes of Listing Rule 7.4 and in compliance with Listing Rule 7.5, the following information is provided in relation to Resolution 2:

- i. A total of 50,000,000 fully paid ordinary shares were issued.
- ii. The shares were issued to a range of institutional and other exempt investors introduced by the stockbroking firm, Hartleys Limited.
- iii. The shares were issued at a price of 5 cents per share.
- iv. The shares were issued on the same terms and conditions as the existing fully paid ordinary shares on issue in the Company and rank par passu with those shares.

The issue raised \$2,500,000, which is being applied towards the Company's share of the cost of the Phase 1 drilling programme in Thailand, evaluation and assessment of new opportunities, working capital, and costs of the issue.

### ***Recommendation***

The directors recommend that shareholders vote in favour of the resolution.

### 3. Resolution 3 - Re-adoption of the Carnarvon Employee Share Plan

On 16 October 1997 the Company adopted an employee share plan, known as the Carnarvon Employee Share Plan ("Plan"), as a method for providing appropriate incentives to the Company's employees and executives. The directors consider that it is essential for the Company to maintain effective employee incentive arrangements.

Shareholder approval is required to issue shares under the Plan in order for those issues to be exempt from the 15% limit under Listing Rule 7.1 (see further below).

The principal provisions of the Plan include:

- the Plan is available to all directors, employees or consultants of the Company or any of its subsidiaries ("Eligible Employees");
- the Company may at any time, in its absolute discretion, make an offer to an Eligible Employee;
- the number of shares issued to any Eligible Employee and the issue price is to be determined by the directors of the Company;
- the issue price is to be no less than the weighted average market price of the Company's shares on the 5 trading days prior to the proposed date of issue;
- the offer may be accepted by an Eligible Employee or an associate of that employee, within the given acceptance period;
- the person accepting the offer ("Participant") will be taken to have agreed to borrow from the Company on the terms of the loan agreement referred to below an amount to fund the purchase of the Plan shares;
- the Plan shares will rank pari passu with all issued fully paid ordinary shares in respect of voting rights, dividends and entitlement to participate in any bonus or rights issues;
- until the loan to the Participant is fully repaid, the Company has a right of first refusal to purchase the shares for the issue price if the Participant wishes to sell the shares. Once the loan is repaid in full, the Participant may deal with the shares as he or she wishes;
- the aggregate number of Plan shares and other shares and options issued in the previous 5 years under any other employee incentive scheme of the Company must not exceed 5% of the issued capital of the Company; and
- applications will be made as soon as practicable after the allotment of the Plan shares for listing for quotation on ASX.

The principal provisions of the loan agreement include:

- the amount lent will be an advance equal to the issue price of the shares multiplied by the number of shares issued;
- the loan can be repaid anytime but the employee must pay any amount outstanding to the Company within 30 days of termination of employment. All dividends declared and paid on the Plan Shares will be applied towards the repayment of the advance;
- there is no interest on the advance;
- the maximum liability in respect of the advance will be the value of the shares from time to time; and
- a holding lock will be placed on the shares until the advance is fully repaid.

A complete copy of the rules of the Plan (which incorporates the terms of the loan agreement) is available for inspection by shareholders (free of charge) at the Company's Registered Office or, upon request, from the Company Secretary.

Under ASX Listing Rule 10.14, participation in the Plan by a director of the Company or his associates requires the specific prior approval of shareholders.

Since the date on which the Plan was last approved by shareholders in general meeting, being 30 November 2000, a total of 715,000 shares have been issued under the Plan.

Resolution 3 seeks shareholder approval to make future issues under the Plan for a period of 3 years from the date of the meeting as an exception to ASX Listing Rule 7.1.

ASX Listing Rule 7.1 provides (broadly) that a company must not issue in aggregate securities equal to more than 15% of the issued capital of the Company in any rolling 12 month period unless shareholder approval has been obtained.

If resolution 3 is passed by shareholders, all issues of shares under the Plan for a period of 3 years from 30 November 2006 will be excluded from the calculations in determining the number of securities which the Company may issue without shareholder approval under ASX Listing Rule 7.1.

***Recommendation***

Due to their possible interest in resolution 3, the directors make no recommendation in relation to that resolution. Whilst the interest of the directors arises from their eligibility to participate under the Plan, shareholders should note that no issue of shares will be made to these directors without prior shareholder approval.

**4. Resolution 4 – Adoption of the Remuneration Report for the year ended 30 June 2006**

The Directors' Report for the year ended 30 June 2006 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 2006.

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

***Recommendation***

The directors recommend that shareholders vote in favour of the resolution.

# Carnarvon Petroleum Ltd

ABN 60 002 688 851

# Proxy Form

### All correspondence to:

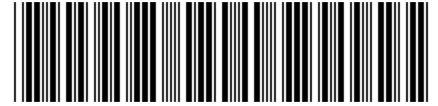
Computershare Investor Services Pty Limited  
GPO Box D182 Perth  
WA 6840 Australia  
Enquiries (within Australia) 1300 557 010  
(outside Australia) 61 3 9415 4000  
Facsimile 61 8 9323 2033  
www.computershare.com

Mark this box with an 'X' if you have made any changes to your address details (see reverse)



000001  
000  
CVN  
MR JOHN SMITH 1  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

Securityholder Reference Number (SRN)



I 1234567890

I N D

## Appointment of Proxy

I/We being a member/s of Carnarvon Petroleum Ltd and entitled to attend and vote hereby appoint



the Chairman  
of the Meeting  
(mark with an 'X')

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman 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 the proxy sees fit) at the Annual General Meeting of Carnarvon Petroleum Ltd to be held at Royal Perth Yacht Club, Australia II Drive, Crawley, Perth, Western Australia on Thursday, 30 November 2006 at 11.00am (WST) and at any adjournment of that meeting.

### IMPORTANT: FOR ITEM 3 BELOW



If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Item 3 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of that item and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Item 3 and your votes will not be counted in computing the required majority if a poll is called on this item. The Chairman of the Meeting intends to vote undirected proxies in favour of Item 3.

## Voting directions to your proxy - please mark to indicate your directions

		For	Against	Abstain*
Item 1	To re-elect Mr Neil C Fearis as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2	Ratification of share issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	Re-adoption of the Carnarvon Employee Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the other items of business.

\* 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 and your votes will not be counted in computing the required majority on a poll.

## Appointing a second Proxy

I/We wish to appoint a second proxy



Mark with an 'X' if you wish to appoint a second proxy.

AND

 %

OR

State the percentage of your voting rights or the number of securities for this Proxy Form.

## PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Individual/Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

In addition to signing the Proxy form in the above box(es) please provide the information below in case we need to contact you.

Contact Name

Contact Daytime Telephone

Date

/ /

CVN

5 P R





# How to complete the Proxy Form

## 1 Your Address

This is your address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

## 2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

## 3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

## 4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) indicate that you wish to appoint a second proxy by marking the box.
- (b) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (c) return both forms together in the same envelope.

## 5 Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual: where the holding is in one name, the holder must sign.
- Joint Holding: where the holding is in more than one name, all of the securityholders should sign.
- Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry or at [www.computershare.com](http://www.computershare.com).

## Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the meeting at 11.00am (WST) on Thursday, 30 November 2006. Any Proxy Form received after that time will not be valid for the scheduled meeting.

### Documents may be lodged using the reply paid envelope or:

- IN PERSON Registered Office - Carnarvon Petroleum Limited, Suite 3, 16 Ord Street, WEST PERTH WA 6005 AUSTRALIA  
Share Registry - Computershare Investor Services Pty Limited, Level 2, Reserve Bank Building, 45 St Georges Terrace, Perth WA 6000 Australia
- BY MAIL Registered Office - Carnarvon Petroleum Limited, PO Box 99, WEST PERTH WA 6872 AUSTRALIA  
Share Registry - Computershare Investor Services Pty Limited, GPO Box D182, Perth WA 6840 Australia
- BY FAX 61 8 9321 8867  
61 8 9323 2033