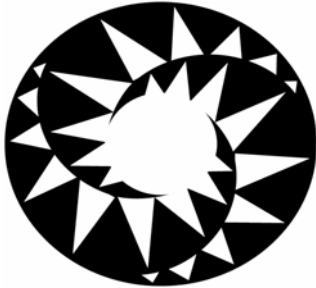


# NOTICE OF GENERAL MEETING



CARNARVON  
PETROLEUM  
LIMITED  
ABN 60 002 688 851

**NOTICE IS HEREBY GIVEN** that a general meeting of the members of Carnarvon Petroleum Limited (“Company”) will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia on Monday 3rd April 2006 at 10:00am.

# NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a general meeting of the members of Carnarvon Petroleum Limited (“Company”) will be held at *the Celtic Club, 48 Ord Street, West Perth, Western Australia* on *Monday 3rd April 2006* at *10:00am*.

## AGENDA

### **Business**

To consider and if thought fit to pass the following resolutions as ordinary resolutions.

#### **Resolution 1**

##### **Ratification of Share Issue**

For the purposes of Listing Rule 7.4 of the Australian Stock Exchange and for all other purposes, the Company approves and ratifies the issue and allotment of 47,500,000 fully paid ordinary shares, at an issue price of 4.5 cents per share to institutional and other exempt investors.

#### **Resolution 2**

##### **Authority to issue 41,400,000 shares**

For the purposes of Listing Rule 7.1 of the Australian Stock Exchange and all other purposes, the Company approves the issue and allotment of 41,400,000 fully paid ordinary shares at an issue price of 4.5 cents per share to institutional and other exempt investors.

#### **Resolution 3**

##### **Issue of Securities to Ted Jacobson**

For the purposes of Listing Rules 7.1 and 10.11 of the Australian Stock Exchange, and for all other purposes, the Company approves the issue and allotment of 5,000,000 Shares as part of the placement the subject of Resolution 2 to Mr Edward Patrick Jacobson or nominee.

#### **Resolution 4**

##### **Issue of Securities to Peter Leonhardt**

For the purposes of Listing Rules 7.1 and 10.11 of the Australian Stock Exchange, and for all other purposes, the Company approves the issue and allotment of 3,000,000 Shares as part of the placement the subject of Resolution 2 to Mr Peter James Leonhardt or nominee.

#### **Resolution 5**

##### **Issue of Securities to Neil Fearis**

For the purposes of Listing Rules 7.1 and 10.11 of the Listing Rules of the Australian Stock Exchange, and for all other purposes, the Company approves the issue and allotment of 1,000,000 Shares as part of the placement the subject of Resolution 2 to Mr Neil Christian Fearis or nominee.

# NOTICE OF GENERAL MEETING

## **Resolution 6**

### **Issue of Securities to Ted Jacobson**

For the purposes of Listing Rules 7.1 and 10.11 of the Australian Stock Exchange and Chapter 2E of the Corporations Act, and for all other purposes, the Company approves the issue and allotment of:

- i. 3,000,000 Shares;
- ii. 4,000,000 7 cent Unlisted Options exercisable on or before 31 March 2008; and
- iii. 4,000,000 10 cent Unlisted Options exercisable on or before 31 March 2009,

by way of remuneration to Mr Edward Patrick Jacobson or nominee on the terms and conditions set out in to the Explanatory Memorandum accompanying this Notice of Meeting.

## **Resolution 7**

### **Issue of Securities to Peter Leonhardt**

For the purposes of Listing Rules 7.1 and 10.11 of the Australian Stock Exchange and Chapter 2E of the Corporations Act, and for all other purposes, the Company approves the issue and allotment of:

- i. 1,500,000 Shares;
- ii. 3,000,000 7 cent Unlisted Options exercisable on or before 31 March 2008; and
- iii. 3,000,000 10 cent Unlisted Options exercisable on or before 31 March 2009

by way of remuneration to Mr Peter James Leonhardt or nominee on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.

## **Resolution 8**

### **Issue of Securities to Neil Fearis**

For the purposes of Listing Rules 7.1 and 10.11 of the Listing Rules of the Australian Stock Exchange and Chapter 2E of the Corporations Act, and for all other purposes, the Company approves the issue and allotment of:

- i. 2,000,000 7 cent Unlisted Options exercisable on or before 31 March 2008; and
- ii. 2,000,000 10 cent Unlisted Options exercisable on or before 31 March 2009

by way of remuneration to Mr Neil Christian Fearis or nominee on the terms and conditions set out in to the Explanatory Memorandum accompanying this Notice of Meeting.

# NOTICE OF GENERAL MEETING

## Resolution 9

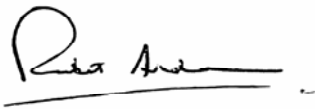
### Issue of Securities to Ken Judge

For the purposes of Listing Rules 7.1 and 10.11 of the Listing Rules of the Australian Stock Exchange and Chapter 2E of the Corporations Act, and for all other purposes, the Company approves the issue and allotment of:

- i. 2,000,000 7 cent Unlisted Options exercisable on or before 31 March 2008; and
- ii. 2,000,000 10 cent Unlisted Options exercisable on or before 31 March 2009,

by way of remuneration to Mr Kenneth Peter Judge or nominee on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.

BY ORDER OF THE BOARD



Robert Anderson  
Company Secretary  
Perth 24 February 2006

### Notes:

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 10am (Perth time) on 1st April 2006. The entitlement of members to vote at the meeting will be determined by reference to that date and time.

A proxy form accompanies this Notice of General Meeting.

A member who is entitled to attend and vote at this meeting is entitled to appoint not more than 2 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 direction, in favour of the resolutions contained in this Notice.

A single proxy exercises all voting rights. Where a member appoints two proxies, an additional proxy form may be obtained by contacting the 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.

Proxy forms must be received by the Company at its Registered Office, 52 Ord Street, West Perth, WA 6005, or by facsimile to +61 8 9321 8867 by no later than 10am (Perth time) on 1st April 2006.

# NOTICE OF GENERAL MEETING

## **Voting Exclusion Statement:**

The Company will disregard any votes cast on Resolutions 1-9 as follows:

Resolution 1 – any person who participated in the issue and any associate of that person;

Resolution 2 – any person who may participate in the proposed issue, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the resolution is passed, and any associate of any of those persons;

Resolution 3 – Ted Jacobson, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the resolution is passed, and any associate of any of those persons;

Resolution 4 – Peter Leonhardt, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the resolution is passed, and any associate of any of those persons;

Resolution 5 – Neil Fearis, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the resolution is passed, and any associate of any of those persons;

Resolution 6 – Ted Jacobson, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the resolution is passed, and any associate of any of those persons;

Resolution 7 – Peter Leonhardt, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the resolution is passed, and any associate of any of those persons;

Resolution 8 – Neil Fearis, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the resolution is passed, and any associate of any of those persons; and

Resolution 9 – Ken Judge, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the resolution is passed, and any associate of any of those persons.

The Company need not disregard a vote if:

- it is cast by a person as a 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 the person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

# NOTICE OF GENERAL MEETING

## EXPLANATORY MEMORANDUM

### 1. Introduction

1.1 On 15 February 2006 the Company announced a placement of shares in two tranches to raise \$4 million. These funds are to be used principally to fund the Company's share of expenditure on the program of work planned for the Wichian Buri Oil Field in Thailand and for working capital purposes (including placement costs). The main elements of the budgeted work program at Wichian Buri for the 2006 calendar year include:

- i. Reprocessing 14km<sup>2</sup> of 3D seismic and 500km of 2D seismic
- ii. An extensive 225km<sup>2</sup> of 3D seismic acquisition
- iii. Drilling 2 infill wells (Carnarvon carried on a dry hole basis)
- iv. Drilling 10 firm and 10 contingent development and exploration wells in permit L44/43; and
- v. Drilling 2 exploration wells in permit L33/43

The program incorporates a combination of development and exploration expenditures which, if successful, is expected to result in an increase in oil production and revenue from the Wichian Buri Field.

1.2 The Company has entered into arrangements to raise the required \$4 million by way of the placement referred to in Resolutions 1 to 5 in the Notice of Meeting. Under the placement, a total of 88.9 million shares will be issued at 4.5 cents per share. The placement is to be made in two tranches: the first tranche of 47.5 million shares is the subject of Resolution 1, and the second tranche of 41.4 million shares is the subject of Resolutions 2 to 5.

1.3 The Company expects that the placement will provide adequate funding for the committed work program.

1.4 Resolutions 3-9 in the Notice of Meeting seek shareholder approval for the issue of shares and options to certain directors, as outlined below.

# NOTICE OF GENERAL MEETING

## 2. Resolution 1 – Ratification of share issue

- 2.1 On 22 February 2006 the Company raised \$2,137,500 via the issue of 47.5 million fully paid ordinary shares at 4.5 cents per share to a range of institutional and other exempt investors introduced by the stockbroking firm, Hartleys Limited.
- 2.2 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 securities of the Company on issue at the beginning of the 12 month period unless a specified exception applies to the issue or shareholders approve the precise terms and conditions of the issue.
- 2.3 The Company seeks ratification and approval of the share issue made on 22 February 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.
- 2.4 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.
- 2.5 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.
- 2.6 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 1:
  - 2.6.1 A total of 47,500,000 fully paid ordinary shares were issued.
  - 2.6.2 The shares were issued to a range of institutional and other exempt investors introduced by the stockbroking firm, Hartleys Limited.
  - 2.6.3 The shares were issued at a price of 4.5 cents per share.
  - 2.6.4 The shares were issued on the same terms and conditions as the existing fully paid ordinary shares on issue in the Company and rank pair passu with those shares.
  - 2.6.5 The issue raised \$2,137,500, which will be used for the purposes set out in paragraph 1.1 above as well as to meet the costs of the issue and to augment the Company's working capital.

## Directors' Recommendation – Resolution 1

The directors unanimously recommend that shareholders vote in favour of Resolution 1.

# NOTICE OF GENERAL MEETING

3. **Resolution 2 - Authority to issue 41,400,000 shares**
- 3.1 Resolution 2 seeks approval for the Company to issue 41,400,000 fully paid ordinary shares at an issue price of 4.5 cents per share to raise \$1,863,000. This is the second tranche of the placement described in paragraphs 1.1 and 1.2 above.
- 3.2 Paragraph 1.1 of this Explanatory Memorandum sets out details of the proposed budgeted work program for 2006 in respect of the Company's 40% interest in the Wichian Buri Oil Field.
- 3.3 The placement of 41.4 million shares will be made in reliance on the provisions of Corporations Act that do not require the Company to issue a disclosure document in respect of that issue. The shares will be issued to institutional and other exempt investors introduced by the stockbroking firm, Hartleys Limited.
- 3.4 Included in the 41.4 million shares is a proposed issue of 9 million shares to three of the Company's directors, Ted Jacobson, Peter Leonhardt and Neil Fearis, subject to specific shareholder approval in Resolutions 3-5 as set out below.
- 3.5 For the purposes of Listing Rule 7.1 and in compliance with Listing Rule 7.3, the following information is provided in relation to Resolution 2:
  - 3.5.1 A total of 41,400,000 fully paid ordinary shares are to be issued.
  - 3.5.2 The shares are to be issued to a range of institutional and other exempt investors introduced by the stockbroking firm, Hartleys Limited, including the issue of 9 million of those shares to the three named directors, subject to shareholder approval
  - 3.5.3 The shares will be issued at a price of 4.5 cents per share.
  - 3.5.4 The shares will be issued on the same terms and conditions as the existing fully paid ordinary shares on issue in the Company and will rank pari passu with those shares.
- 3.6 The intended use of the funds is as set out in paragraphs 1.1 and 2.6.5 above.
- 3.7 The shares will be issued no later than 1 month after the date of this meeting. It is intended that allotment of the shares will occur as soon as practicable following the meeting.



# NOTICE OF GENERAL MEETING

## **Directors' Recommendation – Resolution 2**

David Orth and Ken Judge recommend that shareholders vote in favour of Resolution 2.

To the extent that Ted Jacobson, Peter Leonhardt and Neil Fearis have an interest in the outcome of Resolution 2 by virtue of the proposed issue of shares to them, they make no recommendation. Otherwise, they unanimously recommend that shareholders vote in favour of Resolution 2. The proposed issue of shares to those directors is dealt with separately under Resolutions 3-5 (for which see the explanatory notes below).

## **4. Resolutions 3 to 5 – Issue of Shares to directors, included in the placement the subject of Resolution 2**

4.1 Shareholders are being asked to approve the issue to three directors of 9 million shares out of the 41.4 million shares in the second tranche of the placement, as explained below.

4.2 Pursuant to Resolutions 3-5, if approved by shareholders the 9 million shares will be issued to Ted Jacobson (5 million shares), Peter Leonhardt (3 million shares) and Neil Fearis (1 million shares), or their nominees, on the same terms and conditions as to all of the other placees, including the issue price of 4.5 cents per share.

4.3 Chapter 10 of the Listing Rules contains certain provisions in relation to transactions between a company and persons in a position of influence (which includes directors). Listing Rule 10.11 provides that a company must not issue equity securities to a related party without approval of the shareholders of the Company by ordinary resolution. A director of the Company is a related party for the purposes of the Listing Rule. The information required by Listing Rule 10.13 in relation to Resolutions 3-5 is also required for the purposes of Resolutions 6-9 and is set out in the explanatory notes below.

4.4 The securities will be issued no later than 1 month after the date of the general meeting.

## **Directors' Recommendation – Resolutions 3 to 5**

None of Ted Jacobson, Peter Leonhardt, and Neil Fearis wishes to make a recommendation to shareholders about the proposed resolution approving the issue of securities to himself because he has an interest in the outcome of that resolution. However, each of them recommends that shareholders vote in favour of the resolutions to which they are not a party. David Orth and Ken Judge recommend that shareholders vote in favour of Resolutions 3 to 5.

# NOTICE OF GENERAL MEETING

## 5. Resolutions 6 to 9 – Issue of securities to directors

- 5.1 Shareholders are also being asked to approve the issue of certain shares and options to the three directors named above (Messrs Jacobson, Leonhardt and Fearis) and Ken Judge, as part of their remuneration packages.
- 5.2 Shareholder approval is required under the provisions of Listing Rule 10.11 in respect of all securities to be issued to directors. Further, Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the company unless the benefit falls within one of various exceptions to that prohibition. The exceptions include where the benefit is provided with the prior approval of the members of the company in general meeting.
- 5.3 “Related party” is widely defined and includes all directors of the company.
- 5.4 “Financial benefit” has a wide meaning and includes the issue of securities by a company. Resolutions 6-9, if passed, will confer financial benefits on the directors.
- 5.5 Shareholder approval for the issue of securities under Resolutions 6-9 to Ted Jacobson, Peter Leonhardt, Neil Fearis and Ken Judge is required in accordance with the provisions of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act 2001.
- 5.6 Resolutions 3-9 deal with the proposed issue of securities to the named directors, and the table below shows the shares and options to be issued to them.

<b>Resolution Number</b>	<b>Director</b>	<b>Number of Shares &amp; Issue Price</b>	<b>Number of 7¢ Options exercisable on or before 31/3/2008</b>	<b>Number of 10¢ Options exercisable etc. 31/3/2009</b>
3 and 6	Ted Jacobson	5,000,000 @ 4.5¢ each 3,000,000 @ 0¢ each	4,000,000	4,000,000
4 and 7	Peter Leonhardt	3,000,000 @ 4.5¢ each 1,500,000 @ 0¢ each	3,000,000	3,000,000
5 and 8	Neil Fearis	1,000,000 @ 4.5¢ each	2,000,000	2,000,000
9	Ken Judge	–	2,000,000	2,000,000
<b>TOTAL</b>	<b>-</b>	<b>13,500,000</b>	<b>11,000,000</b>	<b>11,000,000</b>

# NOTICE OF GENERAL MEETING

5.7 Subject to shareholder approval, the directors will receive the shares and options under Resolutions 6-9 for no cash consideration. To provide an indication of the value of the options, the Black-Scholes Option Pricing Model (BSOPM) for valuing options has been adopted. The valuation assumes a market value of 5.1 cents per share (being the average closing price of the Company's shares over the 5 trading days ending 14 February 2006), a risk free rate of 5.5%, and volatility of 50%. Using these assumptions the BSOPM values the options at approximately 1.1 cents per 7 cent option and 1 cent per 10 cent option, which gives the following values for the option packages to be granted to each director:

<b>Director</b>	<b>Option value using BSOPM \$</b>
Ted Jacobson	81,180
Peter Leonhardt	60,886
Neil Fearis	40,590
Ken Judge	40,590

5.8 The purpose of the issue of securities to Ted Jacobson is to provide an incentive to him in the role of Chief Executive Officer and in recognition that his level of cash remuneration is significantly below market levels for an executive in the oil and gas industry with his standing and experience.

5.9 The proposed issue of securities to Peter Leonhardt recognises his significant contribution to the Company's activities over and above a normal non-executive role since his appointment as Chairman in April 2005. The issue also reflects Peter Leonhardt's agreement to assume a more active day-to-day role in the management of the Company following the move of the corporate office to Perth and to support Ted Jacobson in his role as Chief Executive Officer.

5.10 The proposed issue of options to Ken Judge and Neil Fearis recognises the considerable workload they have undertaken, over and above a normal non-executive role, in the period leading to the settlement of the Company's litigation and the transfer of the corporate office to Perth. Ken Judge played a major role, including extensive travel in Canada in negotiating the settlement of the litigation with its former joint venture partner and in establishing a strong commercial relationship with the Company's new joint venture partner. Neil Fearis has provided significant assistance with the litigation process and in facilitating the move of the corporate office to Perth.

# NOTICE OF GENERAL MEETING

5.11 For the purposes of Chapter 2E of the Corporations Act (and for all other purposes), the following information is provided to shareholders:

5.11.1 The proposed financial benefit to be given to each of the directors (or their respective nominees) is the issue of the securities in the table below:

<b>Director</b>	<b>Shares</b>	<b>7¢ Options exercisable on or before 31/3/2008</b>	<b>10¢ Options exercisable on or before 31/3/2009</b>
Ted Jacobson	3,000,000	4,000,000	4,000,000
Peter Leonhardt	1,500,000	3,000,000	3,000,000
Neil Fearis	-	2,000,000	2,000,000
Ken Judge	-	2,000,000	2,000,000

5.11.2 In determining the number of securities to be issued and the terms, consideration was given to the relevant experience and role of each of the directors, their respective overall remuneration terms, the current market price of the Company's shares, and the terms of the options.

5.11.3 The securities will be issued for no cash consideration. The options will be issued on the terms and conditions set out in Annexures "A" and "B" to this Explanatory Memorandum.

5.11.4 If shareholders approve the issue of the shares and options to the directors and the options are exercised, this will dilute the shareholdings of the Company's existing shareholders. Based on the Company's issued capital immediately following completion of the placement the subject of Resolutions 1 and 2, that dilution would be a maximum of 6.5%.

5.11.5 If any of the options are exercised and the Company's shares are trading at a price that is higher than the exercise price of the options, then there will be a cost to the Company on the basis that the Company could potentially have issued shares at that time at the higher price.

5.11.6 If all of the options were to be exercised, the Company would receive an amount of \$1,870,000 in cash.

# NOTICE OF GENERAL MEETING

5.11.7 The highest and lowest prices of the shares on the ASX in the 12 months prior to the date of issue of this Explanatory Memorandum were:

- 6.2 cents on 14 January 2006; and
- 1.6 cents on 13 May 2005 .

5.11.8 The closing price of the Company's shares on ASX on 21 February 2006 was 5.5 cents.

5.11.9 The value of the shares to be issued to Ted Jacobson and Peter Leonhardt will depend on the trading price of the Company's shares on the date when (and if) the shares are sold. On the basis of 5.5 cents per share, being the closing share price on 21 February 2006, Ted Jacobson's 3 million shares would be worth \$165,000 and Peter Leonhardt's 1.5 million shares would be worth \$82,500.

5.11.10 For the purposes of the ASX Listing Rules and Chapter 2E of the Corporations Act, the following additional information is provided:

- The remuneration paid or payable to the directors for the 12 months to 31 January 2006 is as follows:

<b>Director's Name</b>	<b>Remuneration</b>
Ted Jacobson	\$5,000
Peter Leonhardt	\$37,500
Neil Fearis	\$30,000
Ken Judge	\$25,000

- The current annual remuneration being paid to the directors is:

<b>Director's Name</b>	<b>Remuneration</b>
Ted Jacobson	\$200,000
Peter Leonhardt	\$45,000
Neil Fearis	\$30,000
Ken Judge	\$30,000

# NOTICE OF GENERAL MEETING

- The directors' current interests in shares in the Company are as follows:

Director's Name	Shares
Ted Jacobson	5,189,307
Peter Leonhardt	3,010,504
Neil Fearis	4,871,400
Ken Judge	14,168,596

5.11.11 Listing Rule 10.13 sets out a number of matters that must be included in a notice of meeting seeking an approval under Listing Rule 10.11, including the following (some of the matters have already been addressed elsewhere in this section):

- 5.11.11.1 The maximum number of securities to be issued and the names of the parties to whom they are to be issued are set out in paragraph 5.6 above.
- 5.11.11.2 The securities will be issued no later than 1 month after the date of the general meeting.
- 5.11.11.3 The securities set out in paragraph 5.11.1 above will be issued as consideration for the performance of services by the directors and to provide an ongoing incentive for them to provide continuing commitment and effort for the Company, as outlined above. The Company recognises that the issue of securities contemplated by Resolutions 6 to 9 do not comply with Principle 9.2 of the ASX's *Principles of Good Corporate Governance and Best Practice Recommendations*, but believes nevertheless that it is justified by the need to retain and motivate directors of the calibre necessary to take the Company forward whilst at the same time conserving the Company's cash resources by paying director's fees at a lower rate than would otherwise be required.
- 5.11.11.4 The Company will not be raising any funds from the issue of the securities set out in paragraph 5.11.1 above, but if all the options are exercised the Company will receive the funds referred to in paragraph 5.11.6.

# NOTICE OF GENERAL MEETING

5.11.12 Listing Rule 10.11 requires a listed company to obtain shareholder approval prior to the issue of securities to a related party. The directors in question are related parties of the Company by virtue of being directors of the Company.

5.11.13 The funds raised on the exercise of the options will be used for working capital and to fund the Company's financial requirements at that time (which are presently unknown).

## **Directors' Recommendation – Resolutions 6 to 9**

None of Ted Jacobson, Peter Leonhardt, Neil Fearis and Ken Judge wishes to make a recommendation to shareholders about the proposed resolution approving the issue of securities to himself because he has an interest in the outcome of that resolution. However, each of them recommends that shareholders vote in favour of the resolutions to which they are not a party. David Orth recommends that shareholders vote in favour of Resolutions 6 to 9.

## 6. **Glossary**

The following terms have the following meanings in this Explanatory Memorandum and Notice of Meeting:

“**ASIC**” means the Australian Securities and Investments Commission;

“**ASX**” means Australian Stock Exchange Limited;

“**Corporations Act**” means the Corporations Act 2001;

“**director**” means a director of the Company;

“**Listing Rules**” means the Listing Rules of the ASX.

## ANNEXURE “A”

### **TERMS AND CONDITIONS OF 7¢ OPTIONS TO BE GRANTED TO DIRECTORS**

1. No monies will be payable for the issue of the options.
2. A certificate will be issued for the options.
3. The options will expire on 31 March 2008 (“expiry date”) and may be exercised at any time prior to the expiry date.
4. Subject to conditions 12 and 13, each option is a right in favour of the option holder to subscribe for 1 fully paid ordinary share in the capital of the Company (“share”).
5. Shares allotted to option holders on the exercise of the options will be issued upon payment of a price of 7¢ each (“exercise price”).
6. The exercise price of shares the subject of the options will be payable in full on the exercise of the options, for the options exercised.
7. Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by a option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.
8. The Company will allot the resultant shares and deliver the holding statement within 5 business days after the exercise of the option.
9. The options will be transferable but will not be listed for official quotation on Australian Stock Exchange Limited (“ASX”).
10. There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to shareholders during the currency of the options. Prior to any new pro-rata issue of securities to shareholders, holders of options will be notified by the Company in accordance with the requirements of the ASX Listing Rules.
11. In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in ASX Listing Rule 6.22.2.
12. In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue.



## ANNEXURE “A”

### **TERMS AND CONDITIONS OF 7¢ OPTIONS TO BE GRANTED TO DIRECTORS**

13. In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules.
14. There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the options.
15. Shares allotted pursuant to an exercise of options will rank, from the date of allotment, equally with existing ordinary fully paid shares of the Company in all respects.
16. In accordance with the Listing Rules the Company will apply for Official Quotation of all shares allotted pursuant to an exercise of options.

## ANNEXURE “B”

### **TERMS AND CONDITIONS OF 10¢ OPTIONS TO BE GRANTED TO DIRECTORS**

1. No monies will be payable for the issue of the options.
2. A certificate will be issued for the options.
3. The options will expire on 31 March 2009 (“expiry date”) and may be exercised at any time prior to the expiry date.
4. Subject to conditions 12 and 13, each option is a right in favour of the option holder to subscribe for 1 fully paid ordinary share in the capital of the Company (“share”).
5. Shares allotted to option holders on the exercise of the options will be issued upon payment of a price of 10¢ each (“exercise price”).
6. The exercise price of shares the subject of the options will be payable in full on the exercise of the options, for the options exercised.
7. Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by a option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.
8. The Company will allot the resultant shares and deliver the share certificate or holding statement within 5 business days after the exercise of the option.
9. The options will be transferable but will not be listed for official quotation on the Australian Stock Exchange Limited (“ASX”).
10. There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to shareholders during the currency of the options. Prior to any new pro-rata issue of securities to shareholders, holders of options will be notified by the Company in accordance with the requirements of the ASX Listing Rules.
11. In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in ASX Listing Rule 6.22.2.

## **ANNEXURE “B”**

### **TERMS AND CONDITIONS OF 10¢ OPTIONS TO BE GRANTED TO DIRECTORS**

12. In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue.
13. In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules.
14. There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the options.
15. Shares allotted pursuant to an exercise of options will rank, from the date of allotment, equally with existing ordinary fully paid shares of the Company in all respects.
16. In accordance with the Listing Rules the Company will apply for Official Quotation shares allotted pursuant to an exercise of options.

**All correspondence to:**  
Computershare Investor Services Pty Limited  
GPO Box D182  
Western Australia 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  
SAM  
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

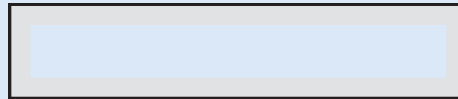
## Appointment of Proxy

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 General Meeting of Carnarvon Petroleum Ltd to be held at The Celtic Club, 48 Ord Street, West Perth WA on Monday 3rd April 2006 at 10.00am (Perth time) and at any adjournment of that meeting.

### IMPORTANT: FOR ITEMS 2 - 9 BELOW



If the Chairman of the Meeting is to be your proxy and you have not directed your proxy how to vote on Items 2 - 9 below, please place an "X" 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 those Items 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 Items 2 - 9 and your votes will not be counted in computing the required majority if a poll is called on these Items. Further, the Chairman may not cast any undirected proxy votes if the Chairman or any associate of his has any interest in any resolution that would give a financial benefit as regulated by Chapter 2E of the Corporations Act.

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

### Ordinary Business

- Item 1. Ratification of Share Issue
- Item 2. Authority to issue 41,400,000 shares
- Item 3. Issue of securities to Ted Jacobson
- Item 4. Issue of securities to Peter Leonhardt
- Item 5. Issue of securities to Neil Fearis

For Against Abstain


### Ordinary Business

- Item 6. Issue of securities to Ted Jacobson
- Item 7. Issue of securities to Peter Leonhardt
- Item 8. Issue of securities to Neil Fearis
- Item 9. Issue of securities to Ken Judge

For Against Abstain


The Chairman of the Meeting intends to vote undirected proxies in favour of each item 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.

## 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

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



# How to complete this 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 with an "X". 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 an "X" 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) complete two proxy forms.
- (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 not later than at 10.00am (Perth time) on 1 April 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 - 52 Ord Street, West Perth, Western Australia 6005

BY MAIL Registered Office - 52 Ord Street, West Perth, Western Australia 6005

BY FAX + 61 8 9321 8867