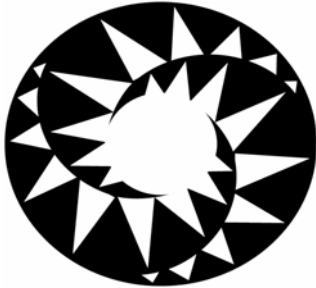


NOTICE OF GENERAL MEETING



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 30th April 2007 at 10:00am.

CARNARVON PETROLEUM LIMITED

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 30th April 2007* 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 Securities Exchange and for all other purposes, the Company approves and ratifies the issue and allotment of 70 million fully paid ordinary shares, at an issue price of 7.7 cents per share, to institutional and other exempt investors.

Resolution 2

Authority to issue 90 million shares

For the purposes of Listing Rule 7.1 of the Australian Securities Exchange and all other purposes, the Company approves the issue and allotment of 90 million fully paid ordinary shares, at an issue price of 7.7 cents per share, to institutional and other exempt investors, including 5.1 million of those shares to four directors of the Company, subject to the approval of Resolutions 3 to 6 below.

Resolution 3

Issue of securities to Ted Jacobson

For the purposes of Listing Rule 10.11 of the Australian Securities 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 Edward Patrick Jacobson or nominee.

Resolution 4

Issue of securities to Peter Leonhardt

For the purposes of Listing Rule 10.11 of the Australian Securities Exchange, and for all other purposes, the Company approves the issue and allotment of 900,000 shares as part of the placement the subject of Resolution 2 to Mr Peter James Leonhardt or nominee.

CARNARVON PETROLEUM LIMITED

NOTICE OF GENERAL MEETING

Resolution 5

Issue of securities to Neil Fearis

For the purposes of Listing Rule 10.11 of the Australian Stock Exchange, and for all other purposes, the Company approves the issue and allotment of 300,000 shares as part of the placement the subject of Resolution 2 to Mr Neil Christian Fearis or nominee.

Resolution 6

Issue of securities to Ken Judge

For the purposes of Listing Rule 10.11 of the Australian Securities Exchange, and for all other purposes, the Company approves the issue and allotment of 900,000 shares as part of the placement the subject of Resolution 2 to Mr Kenneth Peter Judge or nominee.

Resolution 7

Approval for Ted Jacobson to acquire shares under the Carnarvon Employee Share Plan

For the purposes of Listing Rule 10.14 of the Australian Securities Exchange and Chapter 2E of the Corporations Act, and for all other purposes, the Company approves the issue and allotment of 6,000,000 fully paid ordinary shares to Mr Edward Patrick Jacobson or nominee under the Carnarvon Employee Share Plan on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.

Resolution 8

Approval for Peter Leonhardt to acquire shares under the Carnarvon Employee Share Plan

For the purposes of Listing Rule 10.14 of the Australian Securities Exchange and Chapter 2E of the Corporations Act, and for all other purposes, the Company approves the issue and allotment of 3,000,000 fully paid ordinary shares to Mr Peter James Leonhardt or nominee under the Carnarvon Employee Share Plan on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.

CARNARVON PETROLEUM LIMITED

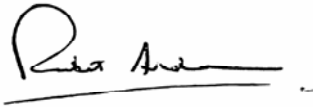
NOTICE OF GENERAL MEETING

Resolution 9

Authority to issue securities to Hartleys Limited

For the purposes of Listing Rule 7.1 of the Australian Securities Exchange and all other purposes, the Company approves the issue of 5,000,000 10 cent unlisted options exercisable on or before 31 March 2009 to Hartleys Limited.

BY ORDER OF THE BOARD



Robert Anderson
Company Secretary
Perth 28 March 2007

Notes:

For the purposes of voting at the General 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 28th April 2007. 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 the enclosed proxy form may be copied. 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.

CARNARVON PETROLEUM LIMITED

NOTICE OF GENERAL MEETING

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 10.00am (Perth time) on Saturday, 28 April 2007.

CARNARVON PETROLEUM LIMITED

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 and any associate of Mr Jacobson;

Resolution 4 – Peter Leonhardt and any associate of Mr Leonhardt;

Resolution 5 – Neil Fearis and any associate of Mr Fearis;

Resolution 6 – Ken Judge and any associate of Mr Judge;

Resolution 7 – a director of the Company and any associate of any of those persons;

Resolution 8 – a director of the Company and any associate of any of those persons; and

Resolution 9 – Hartleys Limited, 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.

CARNARVON PETROLEUM LIMITED

NOTICE OF GENERAL MEETING

EXPLANATORY MEMORANDUM

1. Introduction

- 1.1 On 21 March 2007 the Company announced a placement of shares in two tranches to raise \$12,320,000.

These funds are to be used principally to fund the Company's share of expenditure on the Phase 2 programme of work planned for the Phetchabun Basin in Thailand, and for working capital (including placement costs). The funds raised will also assist Carnarvon with its corporate growth objectives. The Company is currently in negotiations to participate in two new production opportunities that will deliver geographic diversification to Carnarvon.

The highlights of the Phase 2 programme in the Phetchabun Basin, Thailand include:

- up to 37 wells in total to be drilled in 2007, with cashflow from early wells expected to fund latter stages of the drill programme;
 - development wells to be drilled at the new oil field discovery, Na Sanun East;
 - appraisal of the Na Sanun Oil Field, which in 1994 flowed 1,400 bopd before watering out on the second day;
 - 100km² 3D seismic survey to be shot over the Bo Rang gas field and Na Sanun East Oil Field;
 - exploration wells to be drilled at the Si Thep Oil Field (> 50,000 bbls previously produced from 1 well); and
 - exploration of the northern permit L33/43.
- 1.2 The Company has entered into arrangements to raise the \$12,320,000 by way of the placement referred to in Resolutions 1 to 6 in the Notice of Meeting. Under the placement, a total of 160 million shares will be issued at 7.7 cents per share. The placement is to be made in two tranches: the first tranche of 70 million shares is the subject of Resolution 1, and the second tranche of 90 million shares is the subject of Resolutions 2 to 6.
- 1.3 The Company expects that the placement will provide adequate funding for the committed work programme, as outlined in paragraph 1.1 above.
- 1.4 Resolutions 2-8 in the Notice of Meeting seek shareholder approval for the issue of shares to certain directors, as outlined below.
- 1.5 Resolution 9 seeks shareholder approval for the issue of options to the Company's corporate advisor, Hartleys Limited, in lieu of cash payment for part of its fees for the placement the subject of Resolutions 1 and 2.

CARNARVON PETROLEUM LIMITED

NOTICE OF GENERAL MEETING

2. Resolution 1 – Ratification of share issue

- 2.1 On 21 March 2007 the Company announced a placement of 160 million fully paid ordinary shares at 7.7 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 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.
- 2.4 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.
- 2.5 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:
 - 2.5.1 A total of 70,000,000 fully paid ordinary shares were issued on or about 4 April 2007, (being the first tranche of the placement referred to in paragraph 2.1 above).
 - 2.5.2 The shares were issued to a range of institutional and other exempt investors introduced by the stockbroking firm, Hartleys Limited.
 - 2.5.3 The shares were issued at a price of 7.7 cents per share.
 - 2.5.4 The shares were issued on the same terms and conditions as the existing fully paid ordinary shares on issue in the Company and rank pari passu with those shares.
 - 2.5.5 The issue raised \$5,390,000 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.
 - 2.5.6 The issue was made in reliance on the provisions of the Corporations Act that do not require the Company to issue a disclosure document in respect of the issue.

Directors' recommendation – Resolution 1

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

CARNARVON PETROLEUM LIMITED

NOTICE OF GENERAL MEETING

3. **Resolution 2 - Authority to issue 90 million shares**
- 3.1 Resolution 2 seeks approval for the Company to issue 90 million fully paid ordinary shares at an issue price of 7.7 cents per share to raise \$6,930,000. This is the second tranche of the placement described in paragraph 2.1 above.
- 3.2 Paragraph 1.1 of this Explanatory Memorandum sets out details of the proposed budgeted work program for 2007 in respect of the Company's 40% interest in the Phetchabun Basin in Thailand.
- 3.3 The placement of 90 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 90 million shares is a proposed issue of 5.1 million shares to the Company's directors, Ted Jacobson, Peter Leonhardt, Neil Fearis and Ken Judge, subject to specific shareholder approval in Resolutions 3 to 6, 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 90 million 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, including the Company's directors.
 - 3.5.3 The shares will be issued at a price of 7.7 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.
 - 3.5.5 The issue will raise \$6,930,000 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.
- 3.6 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.

CARNARVON PETROLEUM LIMITED

NOTICE OF GENERAL MEETING

Directors' recommendation – Resolution 2

To the extent that Ted Jacobson, Peter Leonhardt, Neil Fearis and Ken Judge 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 to 6 (for which, see the explanatory notes below).

4. Resolutions 3 to 6 – Issue of shares to directors

- 4.1 Shareholders are being asked to approve the issue to directors of a total of 5.1 million shares out of the 90 million shares in the second tranche of the placement, as explained below.
- 4.2 If Resolutions 3 to 6 to are passed by shareholders, the 5.1 million shares will be issued to Ted Jacobson (3,000,000 shares), Peter Leonhardt (900,000 shares), Neil Fearis (300,000 shares), and Ken Judge (900,000 shares), or their nominees, on the same terms and conditions as to all of the other placees.
- 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.
- 4.4 The securities 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.

Directors' recommendation – Resolutions 3 to 6

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.

CARNARVON PETROLEUM LIMITED

NOTICE OF GENERAL MEETING

5. Resolutions 7 and 8 – Issue of securities to directors

- 5.1 Shareholders are being asked to approve the issue of shares under the Carnarvon Employee Share Plan (“Plan”) to Ted Jacobson and Peter Leonhardt (or their respective nominees) as part of their remuneration packages.
- 5.2 Shareholder approval is required under the provisions of Listing Rule 10.14 in respect of all securities to be issued to directors (or their associates) under an employee incentive scheme. 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 directors of the company.
- 5.4 “Financial benefit” has a wide meaning and includes the issue of securities by a company. Resolutions 7 and 8, if passed, will confer financial benefits on Ted Jacobson and Peter Leonhardt.
- 5.5 Shareholder approval for the issue of securities under Resolutions 7 and 8 to Ted Jacobson and Peter Leonhardt is therefore required in accordance with the provisions of ASX Listing Rule 10.14 and Chapter 2E of the Corporations Act 2001.
- 5.6 Resolutions 7 and 8 seek shareholder approval for each of Ted Jacobson and Peter Leonhardt to participate in the Plan to a maximum extent of 6,000,000 and 3,000,000 shares respectively.
- 5.7 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 of the fact 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.
- 5.8 The purpose of the issue of securities to Peter Leonhardt is to recognise his active day-to-day role in the management of the Company in support of Ted Jacobson in his role as Chief Executive Officer over and above the normal role of non-executive Chairman on which his cash remuneration is based.

CARNARVON PETROLEUM LIMITED

NOTICE OF GENERAL MEETING

- 5.9 For the purposes of Chapter 2E of the Corporations Act, the following information is provided to shareholders:
- 5.9.1 The proposed financial benefit to be given to each of Ted Jacobson and Peter Leonhardt (or their respective nominees) is the issue of 6,000,000 and 3,000,000 ordinary shares respectively under the Plan and the provision of loans (in accordance with the Plan) in connection with those issues, on the terms summarized in paragraph 5.9.6 below.
 - 5.9.2 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, the current market price of the Company's shares, and the terms of the Plan.
 - 5.9.3 The shares will be acquired by Ted Jacobson and Peter Leonhardt at a price of 9.0 cents per share (determined by the Board in accordance with the Plan at a price not less than the weighted average sale price of the Company's ordinary shares on ASX over the 5 trading days prior to the date on which the Board resolved, subject to the shareholder approvals being sought, to make a formal offer of participation).
 - 5.9.4 The Company will provide a loan to each of Ted Jacobson and Peter Leonhardt (or their respective nominees) in connection with the issue of shares to them under the Plan.
 - 5.9.5 On acceptance and approval of an offer of shares under the Plan, Ted Jacobson and Peter Leonhardt (or their respective nominees) will be deemed to have agreed to borrow the cost of these shares from the Company to fund the acquisition of the shares on the terms and conditions set out in the Plan.

CARNARVON PETROLEUM LIMITED

NOTICE OF GENERAL MEETING

- 5.9.6 The loan terms are summarised below:
- 5.9.6.1 The amount borrowed ("Advance") will be an amount equal to the issue price of the shares accepted ("Plan Shares") and will be applied solely in payment of that issue price.
- 5.9.6.2 The balance outstanding on the Advance may be repaid at any time and is interest free.
- 5.9.6.3 All dividends paid on the Plan Shares will be applied towards repayment of the Advance.
- 5.9.6.4 The outstanding balance of the Advance must be repaid to the Company within 30 days of the borrower ceasing to be a director of the Company.
- 5.9.6.5 If the borrower ceases to be a director of the Company the maximum liability in respect of the Advance will be the lesser of:
- (i) the amount of the Advance then owing; and
 - (ii) the market price of those Plan Shares, in which case the borrower authorizes the Company to sell the Plan Shares as agent for the Borrower and apply the net proceeds of sale in full satisfaction of the Advance.
- 5.9.7 If shareholders approve the issue of the shares to Ted Jacobson and Peter Leonhardt, 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 1.4 %.
- 5.9.8 The highest and lowest closing prices of the Company's shares on the ASX in the 12 months prior to the date of issue of this Explanatory Memorandum were:
- 12 cents on 26 March 2007; and
 - 4.8 cents on 22 and 23 May 2006, and 14 and 27 June 2006
- 5.9.9 The closing price of the Company's shares on ASX on 27 March 2007 was 11.5 cents.

CARNARVON PETROLEUM LIMITED

NOTICE OF GENERAL MEETING

- 5.9.10 At the 9.0 cents per share issue price, Ted Jacobson's 6 million shares and loan would be worth \$540,000, and Peter Leonhardt's 3 million shares and loan would be worth \$270,000.
- 5.9.11 Subject to shareholder approval, Ted Jacobson and Peter Leonhardt will receive the shares under Resolutions 7 and 8. To provide an indication of the value of the share issues, the Black-Scholes Option Pricing Model (BSOPM) for valuing options has been adopted. The valuation assumes a market value of 8.9 cents per share (being the weighted average sale price of the Company's ordinary shares on ASX over the 5 trading days prior to the date on which the Board resolved, subject to shareholder approval, to make a formal offer of participation), a risk free rate of 5.5%, and volatility of 55%. Using these assumptions, the BSOPM values the issue of Plan Shares at approximately 3.7 cents per share, which gives the following values for the Plan Shares to be issued to Ted Jacobson and Peter Leonhardt:

Director	\$
Ted Jacobson	\$221,837
Peter Leonhardt	\$110,919

- 5.9.12 As noted under paragraph 5.9.6.2, the Company loan to fund the acquisition of the shares is interest free. At an assumed interest rate of 7.5%, this represents an annual interest benefit of \$40,500 to Ted Jacobson and \$20,250 to Peter Leonhardt.
- 5.9.13 For the purposes of the Listing Rules and Chapter 2E of the Corporations Act, the following additional information is provided:

- The remuneration paid or payable to Ted Jacobson and Peter Leonhardt for the 12 months to 31 March 2007 is as follows:

Director's Name	Salary / fees	Shares and Options	Total
Ted Jacobson	\$225,000	\$324,362	\$549,362
Peter Leonhardt	\$52,500	\$196,022	\$248,522

- The current annual cash remuneration being paid to Ted Jacobson and Peter Leonhardt is:

Director's Name	Salary / fees
Ted Jacobson	\$300,000
Peter Leonhardt	\$75,000

CARNARVON PETROLEUM LIMITED

NOTICE OF GENERAL MEETING

- The current interests of Ted Jacobson and Peter Leonhardt in securities of the Company are as follows:

Director's Name	Ordinary Shares	7 cent unlisted options, exercisable on or before 31 March 2008	10 cent unlisted options, exercisable on or before 31 March 2009
Ted Jacobson	15,313,793	4,000,000	4,000,000
Peter Leonhardt	8,000,000	3,000,000	3,000,000

5.9.14 Listing Rule 10.15 sets out a number of matters that must be included in a notice of meeting seeking an approval under Listing Rule 10.14, including the following (some of the matters have already been addressed elsewhere in this paragraph 5.9):

5.9.14.1 The maximum number of shares to be issued and the names of the parties to whom they are to be issued are set out in paragraph 5.6 above.

5.9.14.2 Details of shares issued to directors of the Company and their associates under the Plan since 15 March 2001 are set out in the table below:

Director's Name	Shares issued 3 May 2001	Issue price per share	Value of loan for shares
Ken Tregonning	1,000,000	\$0.043	\$43,000
David Orth	1,000,000	\$0.043	\$43,000

Both Dr Tregonning and Mr Orth have since retired as directors of the Company.

5.9.14.3 The shares will be issued as soon as practicable, but no later than 1 month after the date of the general meeting.

5.9.14.4 The basis on which the price of the shares to be issued is calculated is set out in paragraph 5.9.3 above.

5.9.14.5 The terms of loans in connection with the shares to be issued are outlined in paragraph 5.9.6 above.

CARNARVON PETROLEUM LIMITED

NOTICE OF GENERAL MEETING

- 5.9.14.6 The securities set out in paragraph 5.9.1 above will be issued as consideration for the performance of executive services by the directors, Ted Jacobson and Peter Leonhardt.
- 5.9.14.7 The Company will not be raising any funds from the issue of the securities set out in paragraph 5.9.1 above, but if all the loans are repaid the Company will receive the funds referred to in paragraph 5.9.10.

Directors' recommendation – Resolutions 7 and 8

Neither Ted Jacobson nor Peter Leonhardt wishes to make a recommendation to shareholders about the proposed resolution approving the issue of shares to himself because he has an interest in the outcome of that resolution. However, each recommends that shareholders vote in favour of the resolution to which he is not a party.

Neil Fearis and Ken Judge recommend that shareholders vote in favour of Resolutions 7 and 8.

6. Resolution 9 - Authority to issue securities to Hartleys Limited

- 6.1 Resolution 9 seeks approval for the Company to issue 5,000,000 10 cent unlisted options exercisable on or before 31 March 2009 to Hartleys Limited.
- 6.2 The issue of the options is in lieu of a cash payment of \$123,200, being part of the capital raising fees associated with the placement the subject of Resolutions 1 and 2.
- 6.3 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 9:
 - 6.3.1 A total of 5,000,000 10 cent unlisted options exercisable on or before 31 March 2009 are to be issued.
 - 6.3.2 The options are to be issued to the Company's corporate adviser, Hartleys Limited.
- 6.4 The issue of the options in lieu of a cash payment helps preserve the Company's cash balances.
- 6.5 The options will be issued no later than three months after the date of this meeting. It is intended that issue of the options will occur as soon as practicable following the meeting.
- 6.6 The terms of the options are set out in Annexure A to this Explanatory Memorandum.

Directors' recommendation – Resolution 9

The directors unanimously recommend that shareholders vote in favour of Resolution 9.

CARNARVON PETROLEUM LIMITED

NOTICE OF GENERAL MEETING

7. **Glossary**

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

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

“**ASX**” means ASX Limited;

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

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

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

8. **Lodgement**

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 with ASIC and ASX.

9. **Disclaimer**

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

ANNEXURE “A”

TERMS AND CONDITIONS OF 10 CENT OPTIONS TO BE ISSUED TO HARTLEYS LIMITED

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 the option holder on the exercise of the options will be issued upon payment of a price of 10 cents 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 on or prior to the expiry date 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 the Australian Securities Exchange (“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 securities to the holders of shares during the currency 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 “A”

TERMS AND CONDITIONS OF 10 CENT OPTIONS TO BE ISSUED TO HARTLEYS LIMITED

12. In the event of a bonus issue of securities during the currency of the options, 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 during the currency of the options, 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 Perth
 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
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 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

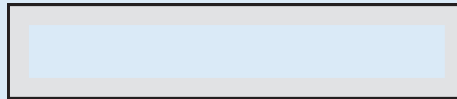
Appointment of Proxy

I/We being a member/s of Canarvon 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 Canarvon Petroleum Ltd to be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia on Monday, 30th April 2007 at 10.00am (WST) and at any adjournment of that meeting.

IMPORTANT: FOR ITEMS 2, 4, 7 AND 8 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 Items 2, 4, 7 and 8 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 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, 4, 7 and 8 and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the Meeting intends to vote undirected proxies in favour of each of these items.

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

	For	Against	Abstain*		For	Against	Abstain*
1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

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.

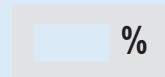
Appointing a second Proxy

I/We wish to appoint a second proxy



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

AND



%

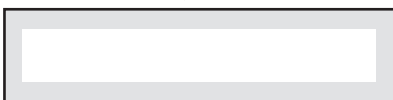
OR



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

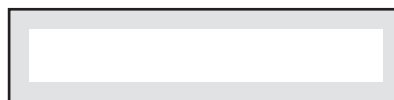
PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

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

/ /



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. 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.

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 10.00am (WST) on Monday, 30th April 2007. 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, 45 St Georges Terrace, Perth WA 6000 Australia
BY MAIL	Registered Office - 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 9323 2033 61 8 9321 8867