
CARNARVON PETROLEUM LIMITED

ABN 60 002 688 851

NOTICE OF ANNUAL GENERAL MEETING

TIME: 11.00am (AWST)

DATE: Friday, 16 November 2012

PLACE: Royal Perth Yacht Club
Australia II Drive
Crawley, Western Australia

This Notice of Meeting and the accompanying Explanatory Statement set out important details regarding the resolutions that will be put to Shareholders at the 2012 Annual General Meeting of Carnarvon Petroleum Limited. You should read all of the documents carefully.

If you are in doubt as to how you should vote, you should seek independent advice from your accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary, Mr Graeme Smith on (+618) 9389 2124.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of Shareholders to which this Notice of Meeting relates will be held at 11.00am (AWST) on Friday, 16 November 2012 at Royal Perth Yacht Club, Australia II Drive, Crawley, Western Australia.

MEETING DOCUMENTS

This Notice of Meeting and the accompanying Explanatory Statement set out important details regarding the resolutions that will be put to Shareholders at the 2012 Annual General Meeting of Carnarvon Petroleum Limited. You should read all of the documents carefully.

ENTITLEMENT TO VOTE

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Board has determined that the persons eligible to vote at the Annual General Meeting, will be those persons who are registered Shareholders of the Company at 4.00pm (AWST) on Wednesday, 14 November 2012.

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important. If you are in doubt as to how you should vote, you should seek independent advice from your accountant, solicitor or other professional adviser prior to voting.

HOW TO VOTE

You may vote by attending the Annual General Meeting in person, by proxy or attorney, or by an authorised representative (if you are a body corporate).

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

A Shareholder has the right to appoint a proxy (who need not be a Shareholder). A proxy can be an individual or a body corporate.

If you are entitled to cast two or more votes at the meeting, you may appoint two proxies and you may specify the proportion or number of votes each proxy may exercise. Where two proxies are appointed, a separate form should be used for each.

You are requested to show on the form a specified proportion of your voting rights which a proxy may exercise. If you appoint two proxies and the appointment does not specify the number or proportion of votes each proxy may exercise, each proxy may exercise half the votes.

A Shareholder can direct its proxy to vote for, against or abstain from voting on each resolution by marking the appropriate box in the voting directions section of the proxy form. If a proxy holder votes, they must cast all votes as directed. Any directed proxies that are not voted will automatically default to the Chairman, who must vote the proxies as directed.

The Chairman will vote all undirected proxies in favour of Resolutions 1 to 10.

If the Chairman is to act as your proxy (whether by appointment or by default) and you have not given directions on how to vote by completing the appropriate box in the voting directions section of the proxy form for Resolution 2 (Adoption of Remuneration Report) or Resolutions 6, 8, and 9 (Approval of issue of securities to Directors of the Company), the proxy form expressly directs and authorises the Chairman to cast your votes "for" the relevant resolution. This express authorisation is included because without it the Chairman would be precluded from casting your votes as these resolutions are connected with the remuneration of key management personnel. As Resolution 7 authorises the issue of securities to the Chairman of the Company, shareholders will need to complete the appropriate box to expressly authorise the Chairman to cast your vote on this resolution.

To vote by proxy, please complete and sign the enclosed proxy form and return (together with the original of any power of attorney or other authority, if any, or a certified copy of that power of attorney or other authority under which the proxy form is signed).

Proxy forms should be returned to Link Market Services Limited in accordance with the instructions on the attached proxy form by 11.00am (AWST) Wednesday, 14 November 2012.

Proxy forms received later than the time specified above will be invalid.

The following methods of delivery for proxies are specified:

By post: Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Online: www.linkmarketservices.com.au.
Select 'Investor Login' and enter Carnarvon Petroleum Limited or the ASX code (CVN) in the Issuer name field, your Security Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your proxy form), postcode and security code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

By facsimile: (+612) 9287 0309 (from overseas)
(02) 9287 0309 (from Australia)

By delivery: Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

VOTING BY CORPORATE REPRESENTATIVE

A body corporate which is a Shareholder, or which has been appointed as a proxy, is entitled to appoint an individual to act as its representative at the AGM in accordance with section 250D of the Corporations Act.

To appoint a corporate representative, a body corporate must provide the Company with a letter or certificate executed in accordance with the Corporations Act authorising that person to act as the corporate Shareholder's representative at the Meeting. The certificate of appointment of a corporate representative must be lodged with the Company and/or the Share Registrar, Link Market Services Limited, before the AGM or at the registration desk on the day of the AGM. Certificates of appointment of corporate representatives are available on request by contacting Link Market Services Limited on telephone number 1300 554 474 (within Australia) or +61 2 8280 7111 (outside Australia) or shareholders can download and fill out the 'Appointment of Corporate Representative' form from the website of the share registry of the Company at www.linkmarketservices.com.au Select the "Investor Services" tab and click on "Forms".

KEY DATES

Event	Date
Deadline for lodgement of proxy forms	11.00am (AWST) on Wednesday, 14 November 2012
Determination of voting eligibility	4.00pm (AWST) on Wednesday, 14 November 2012
Annual General Meeting	11.00am (AWST) on Friday, 16 November 2012

ENQUIRIES

Shareholders are asked to contact the Company Secretary, Mr Graeme Smith, on (+618) 9389 2124 if they have any queries in respect of the matters set out in these documents.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that an Annual General Meeting of Shareholders will be held at 11.00am (AWST) on Friday, 16 November 2012 at Royal Perth Yacht Club, Australia II Drive, Crawley, Western Australia.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the AGM. The Explanatory Statement forms part of this Notice of Meeting.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

ORDINARY BUSINESS

ANNUAL FINANCIAL STATEMENTS AND REPORTS

To receive and consider the Annual Financial Report, the Directors' Report and the Audit Report of Carnarvon Petroleum Limited for the financial year ended 30 June 2012.

RESOLUTION 1 – RE-ELECTION OF MR NEIL FEARIS AS A DIRECTOR

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

“That Mr Neil Fearis, who retires by rotation in accordance with rule 35(c) of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.”

RESOLUTION 2 – ADOPTION OF THE REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2012

To consider and, if thought fit, to pass the following resolution as a **non-binding** resolution:

“That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Directors' Report of the Company for the year ended 30 June 2012.”

Note: Section 250R(3) of the Corporations Act provides that the vote on this Resolution is advisory only and does not bind the Directors

Voting Prohibition

A vote on Resolution 2 must not be cast (in any capacity) by or on behalf of any of the following persons:

- a) a member of the key management personnel, details of whose remuneration are included in the Remuneration Report; and
- b) a closely related party of such a member (including spouses, dependents and controlled companies).

However, a person described above may cast a vote on Resolution 2 if:

- c) the person does so as a proxy appointed in writing that specifies how the proxy is to vote on the proposed resolution; and
- d) the vote is not cast on behalf of a person described above.

The Chairman, acting as proxy (by appointment or by default), is authorised to vote all undirected proxies in favour of Resolution 2.

SPECIAL BUSINESS

RESOLUTION 3 – RE-ADOPTION OF CARNARVON EMPLOYEE SHARE PLAN

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

“That for the purpose of ASX Listing Rule 7.2 (Exception 9) and for all other purposes, the Company approves the issue of shares under the Carnarvon Employee Share Plan.”

Voting Exclusion

The Company will disregard any votes cast on Resolution 3 by:

- a) any Director of the Company, except one who is ineligible to participate in any employee incentive plan; and
- b) associates of those persons,

other than if:

- c) it is cast by a person who is a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- d) it is cast by the Chairman 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.

RESOLUTION 4 – RATIFICATION OF PREVIOUS ALLOTMENT AND ISSUE OF FIRST TRANCHE SHARES TO INSTITUTIONAL AND SOPHISTICATED INVESTORS

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

“That for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue and allotment of 102.9 million Shares, at an issue price of 8.2 cents per Share, to institutional and other exempt investors on the terms set out in the Explanatory Statement.”

Voting Exclusion

The Company will disregard any votes cast on Resolution 4 by any person who participated in the issue of securities described in the Explanatory Statement or any of their associates.

However, the Company will not disregard a vote if:

- a) 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
- b) 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.

RESOLUTION 5 – APPROVAL OF ALLOTMENT AND ISSUE OF SECOND TRANCHE SHARES TO INSTITUTIONAL AND SOPHISTICATED INVESTORS

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

“That for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company approves the issue and allotment of up to 80 million Shares, at an issue price 8.2 cents per Share, to institutional and other exempt investors, on the terms set out in the Explanatory Statement.”

Voting Exclusion

The Company will disregard any votes cast on Resolution 5 by:

- a) any person who may participate in the issue of securities described in the Explanatory Statement;
- b) any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if the resolution is passed; and
- c) any associates of a person referred to in (a) or (b) above.

However, the Company will not disregard a vote if:

- d) 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
- e) 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.

RESOLUTION 6 – ISSUE OF SECURITIES TO MR ADRIAN COOK

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

“That for the purposes of ASX Listing Rules 7.1 and 10.11 and for all other purposes, Shareholders approve the issue and allotment of up to 750,000 Shares to Mr Adrian Cook as part of the placement the subject of Resolution 5.”

Voting Exclusion

The Company will disregard any votes cast on Resolution 6 by Mr Adrian Cook or any of his associates.

However, the Company will not disregard a vote if:

- a) 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
- b) 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.

RESOLUTION 7 – ISSUE OF SECURITIES TO MR PETER LEONHARDT

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

“That for the purposes of ASX Listing Rules 7.1 and 10.11, and for all other purposes, Shareholders approve the issue and allotment of up to 750,000 Shares to Mr Peter Leonhardt as part of the placement the subject of Resolution 5.”

Voting Exclusion

The Company will disregard any votes cast on Resolution 7 by Mr Peter Leonhardt or any of his associates.

However, the Company will not disregard a vote if:

- a) 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
- b) 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.

RESOLUTION 8 – ISSUE OF SECURITIES TO MR NEIL FEARIS

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

“That for the purposes of ASX Listing Rules 7.1 and 10.11 and for all other purposes, Shareholders approve the issue and allotment of up to 125,000 Shares to Mr Neil Fearis as part of the placement the subject of Resolution 5.”

Voting Exclusion

The Company will disregard any votes cast on Resolution 8 by Mr Neil Fearis or any of his associates.

However, the Company will not disregard a vote if:

- a) 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
- b) 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.

RESOLUTION 9 – ISSUE OF SECURITIES TO MR WILLIAM FOSTER

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

"That for the purposes of ASX Listing Rules 7.1 and 10.11 and for all other purposes, Shareholders approve the issue and allotment of up to 125,000 Shares to Mr William Foster as part of the placement the subject of Resolution 5."

Voting Exclusion

The Company will disregard any votes cast on Resolution 9 by Mr William Foster or any of his associates. However, the Company will not disregard a vote if:

- a) 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
- b) 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.

RESOLUTION 10 – ISSUE OF SHORTFALL SECURITIES UNDER THE SHARE PURCHASE PLAN

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

"That, in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 60.9 million Shares at 8.2 cents per Share, being the maximum amount of any shortfall in subscriptions received under the Share Purchase Plan announced by the Company on 4 October 2012, on the terms set out in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on Resolution 10 by:


- a) any person who may participate in the issue of securities described in the Explanatory Statement;
- b) any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if the resolution is passed; and
- c) any associates of a person referred to in (a) or (b) above.

However, the Company will not disregard a vote if:

- d) 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
- e) 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.

Dated: 10 October 2012

By order of the Board



Mr Graeme Smith
Company Secretary

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders, in connection with the business to be conducted at the Annual General Meeting to be held at 11.00am (AWST) on Friday, 16 November 2012 at Royal Perth Yacht Club, Australia II Drive, Crawley, Western Australia.

The purpose of this Explanatory Statement is to provide information that the Directors believe to be material to Shareholders in deciding whether or not to approve the Resolutions in the Notice of Meeting.

FINANCIAL STATEMENTS AND REPORTS

The Corporations Act requires the Annual Financial Report, the Directors' Report, and the Auditor's Report (**Annual Report**) to be received and considered at the AGM. The Corporations Act does not require Shareholders to vote on the Annual Report. However Shareholders attending the AGM will be given a reasonable opportunity to ask questions about, or make comments on, the financial statements and reports contained within the Annual Report which can be downloaded from the Company's website at www.carnarvon.com.au.

The Company's auditor, Crowe Horwath Perth, will be present at the AGM and Shareholders will have the opportunity to ask the auditor questions in relation to the conduct of the audit, the Auditor's Report, the Company's accounting policies, and the independence of the auditor.

RESOLUTION 1 – RE-ELECTION OF MR NEIL FEARIS AS A DIRECTOR

Background

In accordance with rule 35(c) of the Company's Constitution, Mr Neil Fearis retires by rotation and, being eligible, offers himself for re-election as a Director.

Details on Mr Fearis' experience and qualifications are set out below.

Term of office: Appointed as a director in November 1999.

Qualifications: LL.B (Hons), FAICD, F Fin

Skills and experience: Mr Fearis has over 35 years' experience as a commercial lawyer in the United Kingdom and Australia. During the past three years Mr Fearis has served as a director of the following listed companies: Kresta Holdings Limited (from 1997 to December 2009), Perseus Mining Limited (from 2004), Magma Metals Limited (from October 2009 to June 2012), and Tiger Resources Limited (from May 2011). Mr Fearis is also a member of several professional bodies associated with commerce and law.

Special Responsibilities: Mr Fearis is Chairman of the Audit Committee and a member of the Remuneration Committee.

Directors' Recommendation

The Directors (other than Mr Neil Fearis who has an interest in the resolution) unanimously recommend that Shareholders vote in favour of Resolution 1.

RESOLUTION 2 – ADOPTION OF THE REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2012

The Directors' Report for the year ended 30 June 2012 contains a Remuneration Report, which sets out:

- the Board's policy for the remuneration of Directors and executives; and
- the remuneration details of each Director and executive.

In accordance with section 250R of the Corporations Act, the Company submits its Remuneration Report for the year ended 30 June 2012 to Shareholders for consideration and adoption by way of a non-binding resolution.

The vote on this resolution is advisory only and does not bind the Directors or the Company, nor does it affect the remuneration paid or payable to the Company's directors or the executives. However, the Board will take the outcome of the resolution into account when considering future remuneration policy.

Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2. The Directors acknowledge however that they have a personal interest in some aspects of the Remuneration Report.

RESOLUTION 3 – RE-ADOPTION OF EMPLOYEE SHARE PLAN

Background

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 the Plan is essential for the Company to maintain effective employee incentive arrangements.

The Plan is considered the most effective means of providing long term incentives to the Company's employees and executives, because:

- it provides clear incentive targets for recipients, namely to increase Share price materially above the existing Share price and premium;
- the only value attributed to Shares issued under the Plan is the amount by which the Share price exceeds the existing Share price plus premium;
- there is no value if the Share price decreases, unlike performance rights;
- it reduces the need for employees to sell at the vesting point to pay tax, unlike performance rights and some option schemes;
- there is no cash cost to the Company; and
- Shares have been issued prudently under the Plan in the past.

Since the Plan was last approved by Shareholders on 27 November 2009, the Board has undertaken a comprehensive review of the Plan, incorporating input from tax and remuneration advisors. As a result of this review, The Board proposes to amend the Plan rules by:

- excluding Non-Executive Directors from participating in the Plan;
- introducing a minimum issue price for Plan Shares; and
- increasing the period for Shares to vest under the Plan.

Requirement for Shareholder approval

Listing Rule 7.1 provides, that subject to certain exceptions, a listed company may not issue or agree to issue equity securities in any 12 month period that exceed 15% of the number of securities the company has on issue, except with the prior approval of shareholders of the company in general meeting, of the terms and conditions of the proposed issue.

One of the exceptions to Listing Rule 7.1, Listing Rule 7.2 (Exception 9(b)), provides that Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme if, within three years before the date of issue, shareholders have approved the issue of securities under the employee incentive scheme as an exception to Listing Rule 7.1.

As the Plan was last approved by Shareholders on 27 November 2009, a fresh Shareholder approval is required to rely on the exemption in Listing Rule 7.2 (Exception 9(b)).

Under Resolution 3, the Company seeks Shareholder approval to grant Shares under the Plan from time to time during the three years from the date of the approval, without being required to count those securities as part of, and without reducing the number of securities the Company can issue under, the annual 15% limit prescribed by Listing Rule 7.1.

The following information is disclosed to Shareholders for the purposes of Resolution 3:

- a summary of the terms and conditions of the Plan as amended since it was last approved is set out in Annexure A to this Explanatory Statement;
- 9,545,000 Shares have been issued under the Plan since it was last approved on 27 November 2009; and
- the proposed amendments to the Plan are not retrospective and will not affect any existing Shares issued under the Plan.

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, is obtainable from the Company Secretary.

Directors' Recommendation

The Directors (other than Mr Adrian Cook who has an interest in the resolution as a potential recipient of incentives under the Plan) unanimously recommend that Shareholders vote in favour of Resolution 3.

RESOLUTION 4 – RATIFICATION AND APPROVAL OF PREVIOUS ALLOTMENT AND OF SHARE ISSUE OF FIRST TRANCHE SHARES TO INSTITUTIONAL AND SOPHISTICATED INVESTORS

Background

As announced to the ASX on 4 October 2012 the Company is currently undertaking a capital raising of \$15 million by way of a placement of 182.9 million Shares to institutional and sophisticated investors (**Institutional Investors**) at an issue price of 8.2 cents per Share (**Placement**).

The Placement is being conducted in two tranches:

- an initial placement of 102.9 million Shares (First Tranche Shares), which was completed on 4 October (First Tranche) and is the subject of this Resolution 4; and
- a subsequent placement of an additional 80 million Shares (Second Tranche Shares), which is expected to complete on or about 23 November 2012 (Second Tranche)(subject to shareholder approval, being the subject of Resolution 5).

The issue price for the First Tranche Shares and the Second Tranche Shares is the same.

The proceeds raised as a result of the Placement will be used to fund:

- the Thailand L44/43 and L33/43 development program and drilling work, which includes 12 new wells, 15 work overs the updated oilfield development plan, fracture network studies and water flooding studies; and
- the costs associated with the Placement, and to augment the Company's working capital.

The purpose of this Resolution 4 and Resolution 5 below is for Shareholders to:

- approve and ratify, under ASX Listing Rule 7.4 and for all other purposes, the issue of the First Tranche Shares; and
- approve, under ASX Listing Rule 7.1 and for all other purposes, the issue of the Second Tranche Shares.

Shareholder approval for the purposes of Listing Rule 7.4

As outlined above, ASX Listing Rule 7.1 prevents an entity from issuing more than 15% of its issued capital without shareholder approval. The allotment and issue of the First Tranche Shares did not exceed the Company's 15% threshold.

Listing Rule 7.4 provides that an issue of securities made without approval under Listing Rule 7.1 will be treated as having been made with shareholder approval for the purposes of Listing Rule 7.1 if shareholders subsequently ratify the issue, and the issue did not breach Listing Rule 7.1.

The issue of 102.9 million Shares, being the First Tranche Shares described above, have been completed and were issued within the 15% limit permitted by Listing Rule 7.1. However, without Shareholder approval pursuant to Listing Rule 7.4, that Share issue will be counted towards the Company's 15% capacity and will therefore reduce the Company's capacity to issue Shares in the future without obtaining Shareholder approval.

Accordingly, Resolution 4 seeks Shareholder ratification and approval of the allotment and issue of the First Tranche Shares, for the purpose of satisfying the requirements of ASX Listing Rule 7.4.

Listing Rule 7.5 requires the following information to be provided to Shareholders:

First Tranche Shares	
<i>Issue date:</i>	12 October 2012
<i>Number of securities:</i>	102.9 million Shares
<i>Issue price:</i>	8.2 cents per Share
<i>Terms of issue:</i>	The Shares were issued on the same terms and conditions as existing shares on issue, and rank pari passu with those Shares.
<i>Allottees:</i>	The Shares were issued to a range of institutional and sophisticated investors, being clients of Hartleys Limited and Macquarie Capital (Australia) Limited.
<i>Use of funds raised:</i>	The issue raised approximately A\$8.4 million, which will be used for the purposes set out in the "Background" section above.

If Resolution 4 is not approved, the Company's ability to raise additional equity funds over the next 12 months without Shareholder approval will be restricted.

Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

RESOLUTION 5 – APPROVAL OF ALLOTMENT AND ISSUE OF SECOND TRANCHE SHARES TO INSTITUTIONAL AND SOPHISTICATED INVESTORS

Resolution 5 seeks Shareholder approval under ASX Listing Rule 7.1 (and for all other purposes) for the issue of the Second Tranche Shares to Institutional Investors.

As outlined in Resolution 4 above, ASX Listing Rule 7.1 prevents an entity from issuing more than 15% of its issued capital without shareholder approval. The allotment and issue of the Second Tranche Shares, if made without Shareholder approval, would exceed the Company's 15% threshold prescribed by ASX Listing Rule 7.1.

The Company's agreement to issue the Second Tranche Shares is therefore conditional on Shareholder approval under Resolutions 4 and 5. If:

- only Resolution 4 or 5, but not both Resolutions, is approved, the Second Tranche Shares the subject of Resolution 5 will be issued under the Company's 15% capacity under ASX Listing Rule 7.1; and
- Resolutions 4 and 5 are both not approved, the Second Tranche Shares will not be issued.

Listing Rule 7.5 requires the following information to be provided to Shareholders:

Second Tranche Shares	
<i>Issue date:</i>	The Company expects to issue the Shares on 23 November 2012. In any event, the Shares will be issued no later than three months after the date of the Meeting.
<i>Maximum number of securities to be issued:</i>	80 million Shares
<i>Issue price:</i>	8.2 cents per Share
<i>Terms of issue:</i>	The Shares will be issued on the same terms and conditions as existing Shares on issue, and rank pari passu with those Shares.
<i>Allottees:</i>	<p>The Shares will be issued to:</p> <ul style="list-style-type: none"> • a range of institutional and sophisticated investors, being clients of Hartleys Limited and Macquarie Capital (Australia) Limited; and • Company Directors - Adrian Cook, Peter Leonhardt, Neil Fearis and William Foster, subject to specific Shareholder approval in Resolutions 6 to 9.
<i>Intended use of funds raised:</i>	The issue is intended to raise approximately A\$6.6 million, which will be used for the purposes set out in the "Background" section to Resolution 4 above.

Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 5.

RESOLUTIONS 6 TO 9 – ISSUE OF SECURITIES TO DIRECTORS

In Resolutions 6 to 9, Shareholders are being asked to approve the issue of Shares to Directors under the second tranche of the placement, as set out in the table below.

Resolution	Director	Maximum number of Shares to be issued
Resolution 6	Adrian Cook	750,000
Resolution 7	Peter Leonhardt	750,000
Resolution 8	Neil Fearis	125,000
Resolution 9	William Foster	125,000

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). Specifically, 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 Listing Rule 10.11.

If Resolutions 6 to 9 are approved by Shareholders, the Company may (but is not obliged to) issue up to the maximum number of Shares to each Director, as outlined in the table above.

In accordance with Listing Rule 10.13, the following information is provided to Shareholders:

- the Shares will be issued to each of Adrian Cook, Peter Leonhardt, Neil Fearis, and Bill Foster, being Directors of the Company, or their nominees;
- the maximum number of Shares to be issued to each Director is outlined in the table above;
- it is anticipated that, subject to Shareholder approval the subject of the relevant Resolution, the Shares will be issued no later than one month after the date of the AGM (it is intended that allotment of the shares will occur as soon as practicable following the AGM);
- the Shares will be issued on the same terms and conditions as the Second Tranche Shares issued under the Placement, being the subject of Resolution 5 above;
- the Shares will rank equally in all respects with Company Shares currently on issue; and
- the net cash proceeds from the issue of the Shares will be used for the same purposes as funds raised from the Second Tranche Shares issued under the Placement which is set out in further detail in the “Background” section of the disclosures relating to Resolution 4 above.

Directors’ recommendation – Resolutions 6 to 10

Each of Adrian Cook, Peter Leonhardt, Neil Fearis and William Foster refrains from making a recommendation to Shareholders on the resolution approving the issue of securities to himself because he has an interest in the outcome of that resolution. However, each Director recommends that Shareholders vote in favour of the resolutions in which he does not have an interest.

RESOLUTION 10 – ISSUE OF SHORTFALL SECURITIES UNDER SHARE PURCHASE PLAN

As part of the capital raising the subject of Resolutions 4 and 5 above, the Company also announced that it was offering existing eligible Shareholders the opportunity to participate in a share purchase plan (**SPP**) to raise up to a further A\$5 million. The Company seeks the flexibility to place any shortfall in subscriptions received under the SPP.

As noted above, Listing Rule 7.1 imposes a 15% annual limit on the number of Shares the Company can issue without Shareholder approval. Shares issued as a result of a shortfall under the SPP will reduce the 15% allowed to be issued by the Company, unless Shareholder approval is obtained under Listing Rule 7.1.

As the actual amount of any shortfall (if any) in subscriptions received under the SPP is not yet known, Shareholder approval is sought under Listing Rule 7.1 for the maximum number of Shares which could be issued, being the number of shares the subject of the SPP.

Specific disclosure required in accordance with Listing Rule 7.3

Listing Rule 7.3 requires the following information to be provided to Shareholders:

- the maximum number of Shares the Company can issue is 60.9 million Shares;
- the Shares will be issued on one date no later than three months after the date of the Meeting, or such longer periods of time as ASX may in its discretion allow;

- Shares will be issued by the Company at a price of 8.2 cents each (this being the same price at which Shares will be offered to existing Shareholders under the SPP);
- the Shares rank equally with the existing Shares on issue;
- up to approximately \$5 million will be raised by issuing the Shares the subject of the SPP;
- the shortfall Shares will be issued to a range of institutional and sophisticated clients of Macquarie Group Limited and Hartleys Limited, being the brokers to the Placement ; and
- funds raised by the Company from this issue will be used for the purposes outlined under the “Background” to Resolution 4 set out above.

Director’s Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 10.

ENQUIRIES

Shareholders are asked to contact the Company Secretary, Mr Graeme Smith, on (+618) 9389 2124 if they have any queries in respect of the matters set out in these AGM documents.

Annexure A – Summary of the Carnarvon Petroleum Limited Employee Share Plan

The terms and conditions of the Performance Share Plan as amended are summarised in the table below.

1. Board	The Board, or a duly appointed committee of the Board, is responsible for the operation of the Performance Share Plan.
2. Eligible participants	<p>Participation in the Plan is available to any person who is invited by the Board to participate (Eligible Person).</p> <p>The Company may at any time, in its absolute discretion, make an offer to an Eligible Person.</p> <p>Non-Executive Directors are not eligible to participate in the Performance Share Plan.</p>
3. Invitations	<p>The Company may at any time, in its absolute discretion, make an offer to an Eligible Person to be issued Shares under the Plan.</p> <p>The offer may be accepted by an Eligible Person or an associate of that employee, within the given acceptance period.</p>
4. Number of Shares	The number of Plan Shares issued is to be determined by the Directors of the Company, subject to the following limitation. The number of Shares issued under the Plan must not exceed 5% of the Company's issued capital at any time (5% Limitation), when combined with the number of shares issued or to be issued by the Company during the previous five years, under employee incentive plans operated by the Company.
5. Issue price	The issue price is to be determined by the Board, provided that the issue price is at least 120% of the market price of the Company's Shares, being the weighted average sale price of Shares sold through the ASX on the 5 trading days prior to the proposed date of an offer under the Plan.
6. Timing of issues	Shares will not be granted under the Plan at any stage after 3 years from the date of the Annual General Meeting without obtaining any Shareholder approval required under the ASX Listing Rules.
7. Ranking	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.
8. Listing	Application will be made as soon as practicable after the allotment of the Plan Shares for quotation of the Shares on ASX.
9. Disposal of Shares	A Participant may not dispose of any Plan Shares within one year of the Issue Date but, subject to repayment of any associated loan, may dispose of up to 33.3% of Plan Shares after one year, 66.6% after two years, and 100% after three years.
10. Loan agreement	A loan agreement will be entered into by the Company and the Plan participants in connection with the acquisition of Shares under the Plan, as follows:

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- if a participant accepts an offer to receive Plan Shares, they will be taken to have agreed to borrow from the Company on the terms of the loan agreement described below, an amount to fund the purchase of the Plan Shares;
 - a participant may not dispose of any Plan Shares within one year of the issue date but, subject to repayment of any associated loan, may dispose of up to 33.3% of Plan Shares after one year, 66.6% after two years, and 100% after three years.
 - until the loan to a participant is fully repaid, the Company has a first right of refusal to buy back the Plan Shares for the issue price if the Participant wishes to sell the Plan Shares;
 - once the loan is repaid in full, a participant may deal with the Plan Shares as they wish;

The principal provisions of the loan agreement include:

- the loan amount will be equal to the issue price of the Plan Shares multiplied by the number of Plan Shares issued;
 - the loan can be repaid at any time but a participant must repay 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 repayment of the advance;
 - there is no interest on the loan;
 - the maximum liability in respect of the loan will be the value of the Plan Shares from time to time; and
 - a holding lock will be placed on the Plan Shares until the loan is fully repaid.
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Glossary

Annual General Meeting, AGM or Meeting means the meeting convened by this Notice of Meeting.

ASX means ASX Limited.

ASX Listing Rules or **Listing Rules** means the listing rules of ASX, as amended from time to time.

AWST means the time in Perth, Western Australia.

Board means the current board of directors of the Company.

Company or **Carnarvon** means Carnarvon Petroleum Limited (ABN 60 002 688 851/ACN 002 688 851).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a current director of the Company.

Eligible Person means a person eligible to participate in the Plan.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of Annual General Meeting including the Explanatory Statement.

Plan means the Carnarvon Employee Share Plan

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the Company.

Shareholder means a holder of a Share.

Share Registrar means Link Market Services Limited.

SPP means the Company's Share Purchase Plan announced to ASX on 4 October 2012.



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SECURITYHOLDER VOTING FORM

I/We being a member(s) of Carnarvon Petroleum Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman of the Meeting (mark box) **OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy. I/we appoint the Chairman of the Meeting as an alternate proxy to the person named.

If no person/body corporate is named, the Chairman of the Meeting, is appointed as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at **11:00am (AWST) on Friday, 16 November 2012, at Royal Perth Yacht Club, Australia II Drive, Crawley, WA 6009** and at any adjournment or postponement of the meeting. I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.


The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. Please read the voting instructions overleaf before marking any boxes with an .

STEP 2

VOTING DIRECTIONS

Resolutions	For	Against	Abstain*		For	Against	Abstain*
1 Re-election of Mr Neil Fearis as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Issue of Securities to Mr Peter Leonhardt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Adoption of the Remuneration Report for the Year Ended 30 June 2012	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Issue of Securities to Mr Neil Fearis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-adoption of Carnarvon Employee Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Issue of Securities to Mr William Foster	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Ratification of Previous Allotment and Issue of First Tranche Shares to Institutional and Sophisticated Investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Issue of Shortfall Securities under the Share Purchase Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval of Allotment and Issue of Second Tranche Shares to Institutional and Sophisticated Investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
6 Issue of Securities to Mr Adrian Cook	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

 * 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.

STEP 3

IMPORTANT - VOTING EXCLUSIONS

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Item 7 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of that Item and that votes cast by him/her for that Item, other than as proxyholder, 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 7 and your votes will not be counted in calculating 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 7.

STEP 4

SIGNATURE OF SECURITYHOLDERS - THIS MUST BE COMPLETED

Securityholder 1 (Individual) <input type="text"/>	Joint Securityholder 2 (Individual) <input type="text"/>	Joint Securityholder 3 (Individual) <input type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the meeting.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the 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 the items of business, 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.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as 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 security registry or you may copy this form and return them both together. The appointment of the Chairman of the Meeting as your alternate proxy also applies to the appointment of the second proxy.

To appoint a second proxy you must:

- 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.
- return both forms together.

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, either securityholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney 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.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's security registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (AWST) on Wednesday, 14 November 2012**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE >

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).



by mail:

Carnarvon Petroleum Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138.

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.**