

Amendment to Company's Issued Share Capital

23 May 2014



Today the Company lodged an Appendix 3C in relation to Employee Share Plan ("Plan") buy-back of 885,000 Employee Shares in Carnarvon Petroleum Limited being the result of former employees no longer being entitled to Plan Shares in accordance with the Plan. The attached Appendix 3B is in relation to the issue of 1,496,025 Plan shares. 496,025 of these shares were issued to match on market share purchases by Carnarvon employees and 1,000,000 shares were issued as long term incentives.

The effect of these transactions on the Company's issued capital is as follows:

Previous number of shares on issue	986,565,952
Employee share buy-back and cancellation	(885,000)
Issue of shares to new employees	1,496,025
Number of shares on issue	987,176,977

There is no cash outlay by the Company for the issue and buy-back of the Plan Shares. The loans from the Company to the former employees to fund the purchase of the Plan Shares are satisfied by the return and cancellation of the shares. Loans made under the Employee Share Plan involve no cash outlay by the Company.

The principal provisions of the Plan are outlined the Company's 30 June 2013 annual report.

For all enquiries please contact:

Shareholder Enquiries

Mr Thomson Naude

Company Secretary

Phone: (08) 9321 2665

Email: investor.relations@cvn.com.au

Media Enquires

Mr Tony Dawe

Professional Public Relations

(08) 9388 0944 / 0405 989 743

tony.dawe@ppr.com.au

Yours faithfully

A handwritten signature in black ink, appearing to read "Adrian Cook".

Adrian Cook

Managing Director

Carnarvon Petroleum

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

CARNARVON PETROLEUM LIMITED

ABN

60 002 688 851

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|--|
| 1 | +Class of +securities issued or to be issued | Ordinary fully paid shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 1,496,025 ordinary shares |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Issue of fully paid ordinary shares to participants in the Company's Employee Share Plan |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

<p>4 Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Yes</p>
<p>5 Issue price or consideration</p>	<p>\$0.115 per share for 1,00,000 shares issued as long term incentives \$0.100 per share for 422,710 shares acquired in November 2013, March 2014 and April 2014 \$0.115 for 73,315 shares acquired in May 2014</p> <p>The issue prices above are at least 120% of the market price of the Company's shares, being the weighted average sale price of ordinary shares sold through the ASX on the 5 trading days prior to the date the shares were acquired on market</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>The Employee Share Plan has been designed to attract, retain, motivate and reward participants by providing them with an opportunity to acquire an ownership interest in the Company</p> <p>To encourage on-market investment in the Company by the Company's employees and executives, the Board has decided to make certain offers under the Employee Share Plan whereby it will match each share acquired on market by a participating employee with a share issued under the terms of the Employee Share Plan.</p>
<p>6a Is the entity an ⁺eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the ⁺securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>No</p>

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Appendix 3B
New issue announcement

6b	The date the security holder resolution under rule 7.1A was passed	N/A	
6c	Number of +securities issued without security holder approval under rule 7.1	N/A	
6d	Number of +securities issued with security holder approval under rule 7.1A	N/A	
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	N/A	
6f	Number of securities issued under an exception in rule 7.2	1,496,025 ordinary shares issued under exception 9	
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.	N/A	
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	N/A	
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	22 May 2014	
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	Number 987,176,977	+Class Ordinary fully paid shares

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Appendix 3B
New issue announcement

<p>9 Number and ⁺class of all ⁺securities not quoted on ASX (including the securities in section 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="694 324 997 369">Number</th> <th data-bbox="997 324 1428 369">⁺Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="694 369 997 593"></td> <td data-bbox="997 369 1428 593"></td> </tr> </tbody> </table>	Number	⁺ Class		
Number	⁺ Class				
<p>10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)</p>	<p>N/A</p>				

Part 2 – DELETED – NOT APPLICABLE

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
 1 - 1,000
 1,001 - 5,000
 5,001 - 10,000
 10,001 - 100,000
 100,001 and over

37 A copy of any trust deed for the additional ⁺securities

+ See chapter 19 for defined terms.

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.

 - There is no reason why those +securities should not be granted +quotation.


 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: 
(Company secretary)

Date: 23 May 2014

Print name: Thomson Naude
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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12

NOT APPLICABLE

+ See chapter 19 for defined terms.