

Appendix 3B

29 June 2018



Dear Shareholders,

Carnarvon Petroleum Limited ("Company") has a shareholder approved Employee Share Plan ("ESP") which is used by the Board of Directors of the Company ("the Board") to provide long term incentives for executives and employees to share in the ownership of Carnarvon in order to:

- Provide a strategic and value based reward for those who make a contribution to that success;
- Align executives and employees' interests with the interests of shareholders;
- Promote the retention of executives and employees; and
- Promote the long-term success of the Company.

The Board's determination of entitlement under the ESP as at 30 June 2018 was based on:

- the Company's share price performance relative to a group of peer companies for the year to 30 June 2018; and
- on meeting a number of measurable strategic and value based targets linked to the five year plan.

The targets outlined above that were achieved in the 30 June 2018 financial year included:

- Securing new projects to mature under the Company's farm-out model;
- Completing technical work and maturing drill ready prospects;
- Maturing the Phoenix project and its contingent and prospective resources;
- Progressing to drill the Buffalo-10 well;
- Appropriate staff development, retention and cultural performance;
- Maintaining good governance practices; and
- Ensuring strong financial management and cost controls.

In recognising that the above provide longer term value to the Company's share price, the Board approved:

- an issue of 6,549,416 ESP shares to 14 executives and employees who made a contribution to meeting these targets; and
- an issue of 1,238,108 ESP shares to the Company's Managing Director, Mr Adrian Cook on the same terms as above following shareholder approval at the Company's 2018 Annual General Meeting.

The ESP shares were priced at 16.5 cents per share, being the scheme prescribed premium of 20% to the current Carnarvon share price.

The ESP requires no cash outlay by the Company when the shares are issued, but will generate cash for the Company if the executives and employees pay Carnarvon 16.5 cents per share after the shares vest. The ESP shares vest over a five year period, with no ESP shares vesting within the first two years of issue.

The structure of the Employee Share Plan means that the only value to Carnarvon executives and employees is the amount by which the share price in the future exceeds 16.5 cents.

Yours faithfully

William Foster

Chairman of the Remuneration Committee

Shareholder enquiries:

Mr Thomson Naude

Company Secretary

Phone: (08) 9321 2665

Email: investor.relations@cvn.com.au

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

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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 | 6,549,416 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. |

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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>\$0.165 per share</p> <p>The issue price above is 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 offer was made to the employee – which in this case was \$0.165 per share on 29 June 2018.</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 provide a strategic and value based reward for employees and executives who make a contribution to that success, align executives and employees interests with the interests of our shareholders, promote the retention of executives and employees and promote the long term success of the Company.</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 <i>in relation to the ⁺securities the subject of this Appendix 3B</i>, and comply with section 6i</p>	<p>No</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>N/A</p>
<p>6c Number of ⁺securities issued without security holder approval under rule 7.1</p>	<p>N/A</p>

+ See chapter 19 for defined terms.

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	6,549,416 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	29 June 2018	
8	Number and ⁺ class of all ⁺ securities quoted on ASX (including the securities in section 2 if applicable)	Number 1,189,888,259	⁺ Class Ordinary fully paid shares
9	Number and ⁺ class of all ⁺ securities not quoted on ASX (including the securities in section 2 if applicable)	Number 1,000,000	⁺ Class Unlisted options with an exercise price of \$0.15 and an expiry date of 20 November 2020

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- 10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)

N/A

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

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.

+ See chapter 19 for defined terms.

- 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: 29 June 2018

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.