



CARNARVON
PETROLEUM
LIMITED
ABN 60 002 688 851

31 January 2005
Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
20 Bond Street
SYDNEY NSW 2000
Via ASX Online

Dear Sirs,

QUARTERLY REPORT FOR DECEMBER 2004

Please find attached Carnarvon Petroleum Limited's Mining Exploration Entity Quarterly Report for the quarter ended 31 December 2004 incorporating:

- Report on activities for the December 2004 quarter (4 pages); and
- Appendix 5B (5 pages)

Yours faithfully,
CARNARVON PETROLEUM LIMITED

A handwritten signature in black ink, appearing to read 'Pullia'.

Rick A Pullia
COMPANY SECRETARY

REPORT FOR DECEMBER 2004 QUARTER

During the December 2004 quarter the Company, through its wholly owned subsidiary, Strategic Exploration (Asia) Limited (“SEAL”), continued its legal proceedings in Alberta, Canada, against Pacific Tiger Energy (Thailand) Limited, the operator of the SW1A joint venture and a wholly owned subsidiary of Tiger Petroleum Inc. (formerly Pacific Tiger Energy Inc.) (collectively “Tiger Petroleum”), for alleged breaches of provisions of the Joint Operating Agreement (“JOA”) and Farmin Agreement. These two agreements govern relations between the partners in the Wichian Buri SW1A Concession joint venture in Thailand.

On 24 November 2004, Carnarvon was successful on its motion and Pacific Tiger Energy (Thailand) Limited was directed by the Alberta court, amongst other things, to:

- forthwith pay to SEAL its share of the proceeds from the sale of oil from Wichian Buri;
- immediately provide to SEAL all of the required financial and operational information concerning the joint venture;
- release to SEAL a copy of the Navigator report with respect to the joint venture;
- forthwith allow access to all joint venture records by representatives of SEAL and its auditors;
- forthwith allow representatives of SEAL access to the Oilfield; and
- continue to provide monthly reporting as required by the JOA.

Subsequently, Carnarvon was paid its share of the proceeds from the sale of oil for the months of June to October during the December quarter.

In early December management of Carnarvon and SEAL visited Thailand to undertake an operational review and financial audit of the SW1A joint venture. However, the Company was not satisfied that all of the directions of the court order had been complied with and in late December issued a further motion against Pacific Tiger Energy (Thailand) Limited alleging contempt of the previous court order. This matter is currently before the Alberta court.

The Company has prepared this quarterly report on activities, and accompanying consolidated statement of cash flows, based on actual cash receipts and payments and reasonable estimates. SW1A Concession joint venture financial and operational information for the complete quarter ended 31 December 2004 has not been provided in full by Tiger Petroleum.

CASH RESOURCES

Carnarvon has ended the quarter with a strong working capital position. The liquid assets available to the Company, adjusted as at 31 December 2004, is \$861,000, summarised as follows:

	<u>\$000</u>
• Cash at bank and on deposit	366
• Refund due from SW1A JV Operator for overpayment of seismic costs and overcharging of professional fees	165
• Net market value of shares in Ausam Energy Corporation	<u>330</u>
Liquid assets available to Carnarvon	<u>861</u>

This does not include Carnarvon’s share of oil revenues that have not been paid to date.

EXPLORATION & DEVELOPMENT ACTIVITIES

SW1A Concession – Thailand

(Carnarvon 40% / Tiger Petroleum 60%)

During the December quarter Carnarvon received \$345,000, representing its share of joint venture cash receipts for the months of June to October at an average sales price of US\$26.01 per barrel. Cash receipts for November and December sales had not been paid as at 31 December. Accordingly, these receipts remain due and payable to Carnarvon and have not been included in the consolidated statement of cash flows.

Carnarvon paid \$193,000 during the quarter for its share of actual production costs for the months of July to October. Carnarvon's share of budgeted cash production costs for the months of November and December was approximately \$120,000. Carnarvon approved these expenditures, subject to its right to make subsequent adjustments for actual costs incurred when provided with the relevant financial information by Tiger Petroleum. There was no expenditure on development activities during the quarter based on the cash calls submitted to Carnarvon.

In early December, Carnarvon received an edited version of a Field Report and Well Review prepared by Navigator Resource Management Ltd ("Navigator"). Carnarvon subsequently received a copy of an engineering report of the N7 well by ICON Engineering Inc. ("ICON"). Navigator, a Calgary-based oil and gas consulting firm was engaged during the previous quarter by Tiger Petroleum, on behalf of the joint venture partners, to review the Thailand operations. Icon was engaged by Navigator to assist with the review. The information received by Carnarvon is incomplete and insufficient for Carnarvon to fully assess the current operation of the Wichian Buri oil field.

Carnarvon has sought further information on these matters and the proposed field exploration and well development drilling program from Tiger Petroleum.

Tiger Petroleum, in an operational update dated 14 December 2004, announced that after further review by Navigator and receipt of an engineering report completed by ICON, horizontal well WB-N7 had been suspended and no further remedial work will be undertaken. Furthermore, Tiger Petroleum advised that horizontal well WB-N8 was producing at a rate of 22 barrels per day and that well WB-N1, which was previously suspended, was placed back into production in late September and is currently producing at commercial rates. The Wichian Buri oil field was producing at an average rate of 180 barrels per day gross.

Carnarvon believes that the SW1A joint venture remains profitable and operationally cash flow positive based on the information available.

Carnarvon Basin (Western Australia)
EP 110 and EP 424

(Carnarvon 35% / Strike Oil 40% / Pancontinental 25%)

Carnarvon has a 35% interest in the consolidated permits EP110 and EP 424 in the Carnarvon Basin. Strike Oil is the operator of both permits and the joint venture partners have approved a work programme for 2004-05 to commence activities, including a planned seismic program to delineate identified leads and prospects.

These permits give Carnarvon a significant interest in 850 square kilometres of prospective exploration acreage in offshore and onshore Western Australia, near Onslow. Importantly, the consolidated permits cover the whole of the Jasper oil prospect near the producing Roller, Skate and Saladin Oil Fields. The onshore portion of the EP110 permit is adjacent to the producing Tubridgi Gas Field.

Strike Oil intends to acquire the seismic data at the same time as it conducts surveys in a number of its permits in the vicinity of EP110 and EP424. The exact timing will depend on the availability of a suitable crew and regulatory approvals. Work on the Environmental Plan has commenced.

This work programme will have limited financial cost to Carnarvon in the current financial year.

Papuan Basin (Papua New Guinea)

PRL 4 and PRL 5 including the Stanley, Elevela, and Ketu discoveries

(Carnarvon Petroleum Ltd 15% / Santos 35% / InterOil 20% / AWE 15% / TransOrient 7.5% / Horizon Oil 7.5%)

Petroleum Retention Licences 4 and 5, operated by Santos, are located in the foreland of the Papuan Basin adjacent to the Irian Jayan border in western PNG. The permits contain three gas/condensate discoveries. The joint venture partners are considering a variety of options with respect to the possible development of the gas and condensate in the licenses. Both permits have been renewed for a further five years with work commitments tailored to monetizing the hydrocarbon accumulations in the future.

Ausam Energy Corporation

Carnarvon is a minor shareholder in Ausam Energy Corporation, a company listed on the Canadian TSX Venture Exchange.

During the December 2004 quarter, Carnarvon realized a portion of its investment at prices ranging from C\$0.75 to C\$1.20 per share, grossing C\$246,000. The value of Carnarvon's remaining investment, based on the latest Ausam closing price of C\$1.10 per share, is approximately A\$330,000.

CORPORATE ACTIVITIES

The Company's consolidated cash balance at the end of the quarter is \$366,000.

Payments for corporate administration costs in the September quarter totalled \$295,000, an increase of \$76,000 compared to the September 2004 quarter amount of \$219,000. After allowing for cash payments for increased legal fees associated with the Pacific Tiger litigation and annual statutory compliance costs, totalling \$96,000, the company's normal corporate overhead costs were reduced to \$199,000 for the quarter. This reflects the Company's continued focus on cost management and reduction.



Rick A Pullia
COMPANY SECRETARY

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

CARNARVON PETROLEUM LIMITED

ABN

60 002 688 851

Quarter ended ("current quarter")

31 DECEMBER 2004

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	345	345
1.2 Payments for		
(a) exploration and evaluation	(2)	(21)
(b) development	-	-
(c) production	(193)	(237)
(d) administration	(295)	(514)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(144)	(421)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	260	260
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	260	260
1.13 Total operating and investing cash flows (carried forward)	116	(161)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	116	(161)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	116	(161)
1.20	Cash at beginning of quarter/year to date	251	528
1.21	Exchange rate adjustments to item 1.20	(1)	(1)
1.22	Cash at end of quarter	366	366

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	74
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors' fees, including superannuation	53
Fees for strategic and corporate finance consulting services provided by a director-related entity	21

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements Bank overdraft	30	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	30
4.2 Development	-
Total	30

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	150	236
5.2 Deposits at call	216	15
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	366	251

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	272,312,513	272,312,513		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases (b) Decreases				
7.7 Options <i>(description and conversion factor)</i>	38,492,101	38,492,101	<i>Exercise price</i> 6 cents	<i>Expiry date</i> 31 December 2005
7.8 Issued during quarter	1,000,000	1,000,000	6 cents	31 December 2005
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Print name: Rick A. Pullia
COMPANY SECRETARY

Date: 31 January 2005

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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