



CARNARVON
PETROLEUM
LIMITED
ABN 60 002 688 851

2 May 2007

Company Announcements Office
Australian Stock Exchange Limited

Via ASX Online

Dear Sirs,

2006 YEAR END RESERVES UPDATE

Pan Orient, the operator of the Phetchabun Basin permits in Thailand of which Carnarvon owns 40%, has issued an annual reserves update for 2006 as calculated by the recognised independent oil industry consultants Gaffney Cline and Associates Ltd and as required by Toronto Stock Exchange.

A summary of the report is as follows:

Proven recoverable reserves of 0.853 (0.341 net Carnarvon) million barrels of oil, an increase of 34% from 0.635 (0.254) million barrels in prior year.

Proven + Probable recoverable reserves of 7.075 (2.83 net Carnarvon) million barrels of oil, a decrease of approximately 50% from 14.208 (5.683 net Carnarvon) million barrels in prior year.

These reserve estimates include a nominal amount of proved and probable reserves for the Na Sanun East Field limited to the area surrounding the well bore of POE-9. Reserve estimates were further limited by the lack of well production history, core data and an undefined field oil water contact (only the upper part of the reservoir was flow tested). An aggressive 2007 drilling program currently underway and primarily targeting the volcanic reservoirs in the POE-9 and Na Sanun area is aimed to fully appraise the large potential of this new fractured volcanic play type.

The majority of the proven and probable reserves calculated by Gaffney Cline and Associates Ltd relate to the Wichian Buri Field.

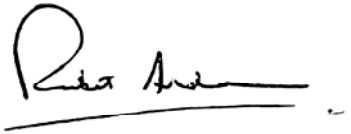
With that in mind, the 2006 proven reserves saw a nominal increase. Probable reserves were negatively impacted by the structural complexity of the Wichian Buri and POE-6 fault blocks revealed on the newly acquired 3D seismic. Some of these probable reserves were thus moved to the possible category requiring further appraisal and development drilling. Future planned wells to be drilled structurally higher in the POE-6 and Wichian Buri fault blocks are anticipated to recapture proven and probable reserves reclassified as possible in the current evaluation.

Gaffney Cline & Associates Ltd (“GCA”) state in their report "given the time limitations and the fact that some of this work is still ongoing, GCA considers that the results presented in this report could be viewed as conservative, even at the probable level."

Carnarvon CEO, Ted Jacobson commented: “We consider that the methodology applied by Gaffney Cline for the 2006 reserve estimates is considerably stricter than that applied in previous years and we believe they are very conservative as commented on by Gaffney Cline in their report. The need for further drilling to appraise and develop the area is recognised and a very intensive drilling programme of up to 37 wells has commenced with the first well NS-3 currently being prepared for flow testing. Once several key wells are completed, the reserve estimates for our Thailand permits will be revisited later this year.”

Yours faithfully,

Carnarvon Petroleum Limited

A handwritten signature in black ink, appearing to read 'RA Anderson', is written over a horizontal line. The signature is positioned to the left of a vertical red line.

RA Anderson
Company Secretary