



CARNARVON  
PETROLEUM  
LIMITED  
ABN 60 002 688 851

30 July 2004  
Company Announcements Office  
Australian Stock Exchange Limited  
Exchange Centre  
20 Bond Street  
SYDNEY NSW  
Via ASX Online

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Dear Sirs,

**QUARTERLY REPORT FOR JUNE 2004**

Please find attached Carnarvon Petroleum Limited's Mining Exploration Entity Quarterly Report for the quarter ended 30 June 2004 incorporating:

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

Yours faithfully,  
CARNARVON PETROLEUM LIMITED

Rick A Pullia  
COMPANY SECRETARY

**REPORT FOR JUNE 2004 QUARTER**

**SUMMARY**

Key financial results for the quarter were:

- The SW1A Joint Venture in Thailand had a cash operating profit of US\$119,000 for the June quarter, a 49% increase over the previous quarter due primarily to an increase in the oil price.
- Carnarvon received a cash distribution of A\$65,000 from the SW1A Joint Venture.
- Cash balance at the end of the quarter is \$528,000.
- Carnarvon's long-term investment in AusAm Resources is anticipated to shortly become a liquid investment, with an anticipated value of A\$480,000.

Operational activities during the quarter included:

- Oil production maintained at over 200 BOPD.
- WBN8 continues to produce oil at reduced rates.
- Clean-up of WBN7 with a solvent wash did not result in successful completion.
- Navigator Resource Management appointed to undertake a review of the operations of the Wichian Buri Oilfield in central Thailand and the performance of WBN7 and WBN8 to recommend remediation of WBN7 and WBN8 wells..
- 3D seismic survey of northern portion of Exploration Block L44/43 was partially completed with far better quality data than obtained from earlier surveys.

**EXPLORATION & DEVELOPMENT ACTIVITIES**

**SW1A Concession – Thailand**

(Carnarvon 40% / Pacific Tiger Energy 60%)

The SW1A Joint Venture continues to be profitable and for the June 2004 quarter, earned a cash operating profit of US\$119,000 resulting in a net distribution to Carnarvon of A\$65,000. The operating results for the June 2004 quarter and of the two preceding quarters are shown in the following table:

| <b>SW1A Operating Results Before<br/>Gemini Royalty</b> | <b>June 2004<br/>QTR</b> | <b>Mar 2004<br/>QTR</b> | <b>Dec 2003<br/>QTR</b> |
|---|--------------------------|-------------------------|-------------------------|
| Oil production rate                                     | 202 BOPD                 | 205 BOPD                | 202 BOPD                |
| Total production  | 18,346 bbls              | 18,675 bbls             | 18,567 bbls             |
| Average sale price                                      | US\$24.80/bbl            | US\$22.88/bbl           | US\$23.21/bbl           |
| Cash operating profit/(loss)                            | US\$119,000              | US\$80,000              | US\$97,000              |
| Cash distributed to Carnarvon                           | A\$65,000                | A\$42,000               | A\$55,000               |

Total production for the quarter remained consistent with the previous quarter, totalling 18,346 barrels at an average of 202 BOPD for the June quarter. Cash operating profit increased in the current quarter to US\$119,000 compared to US\$80,000 in the previous quarter. This increase was attributable to a marginal increase in oil barrels sold and an increase in the average sale price per barrel of oil, with cash operating expenses remaining consistent with the prior quarter.

Oil production from pre Phase III wells continued to decline at expected rates, however incremental production from Phase III well WBN8, which commenced in late March, allowed total production for the quarter to be maintained. Various methodologies are being considered to arrest the production decline from pre Phase III wells, such as water injection, steam flooding, and water after gas.

Clean up operations to remove remnant drilling mud and filter cake commenced during the quarter on the horizontal wells WBN7 and WBN8 which were drilled in the previous quarter. The clean up of WBN7 with a solvent wash did not remedy the completion problem experienced by the well. This continues to inhibit production despite the well having penetrated in excess of 90 meters of net horizontal pay during drilling operations.

During the June 2004 quarter, the Board and management of Pacific Tiger Energy, the Operator of the SW1A Joint Venture, changed. The new Board is undertaking a review of the operations of the Wichian Buri oil field. Carnarvon welcomes and supports the review and is looking forward to working with the new Board and management of Pacific Tiger Energy to further develop the oil field and production.

The Joint Venture partners appointed Navigator Resource Management Inc., a Calgary-based firm providing technical and fiscal consulting services to the oil and gas industry worldwide, to undertake a review of the performance of WBN7 and WBN8 and to recommend appropriate remediation of the wells. In addition, Navigator will also review the operations of Wichian Buri oil field to consider options to enhance existing production.

Approximately 40% of the 3D seismic survey of the northern portion of the Wichian Buri oil field, Exploration Block L44/43, is complete. The data acquired has been processed and on initial inspection it is of far better quality than has been previously obtained. This data set, which was designed to better image the F Sandstone, will assist in the interpretation of the complex northern area to prove up additional drilling targets in the region and allow more detailed, geological modelling of the reservoir sandstones. Completion of the survey was delayed by the early onset of the monsoon season and it is anticipated that the survey will recommence in the December 2004 quarter.

### **Carnarvon Basin (Western Australia)**

#### **EP 110 and EP 424**

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

During the June 2004 quarter, Carnarvon reached agreement for the consolidation of the EP110 and EP 424 permits in the Carnarvon Basin, retaining a 35% interest in the consolidated permits. The consolidation of the permits gives 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 has assumed operatorship of both permits and the Joint Venture partners have approved a work programme for 2004-05 to commence activities. This work programme will have limited financial impact on 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%)

Discussions continue between the joint venture partners with respect to the possible development of the gas and condensate in the licenses. A number of options are being considered to monetize the assets and discussions with the PNG Government continue ahead of work commitment obligations for the next retention period.

**AusAm Resources Limited**

Carnarvon owns approximately 3% of AusAm Resources Limited and retains a royalty of 2.5% over a number of Perth Basin blocks held by AusAm Resources by virtue of a sale agreement completed in 2000. AusAm Resources has interests in the following permits:

| <b>Perth Basin</b> |        | <b>Surat Basin</b> |        | <b>Gippsland Basin</b> |        |
|--------------------|--------|--------------------|--------|------------------------|--------|
| EP407              | 92.5%  | ATP 754P           | 50.00% | PEP 166                | 50.00% |
| EP23               | 100.0% | ATP 682P           | 25.00% |                        |        |
| EP321              | 92.5%  | ATP 470P           | 35.55% |                        |        |
| EP414              | 51.8%  |                    |        |                        |        |

During the June 2004 quarter, shareholders of AusAm Resources voted to approve a Scheme of Arrangement whereby shareholders of Ausam Resources would exchange every five shares held for one share in Northlinks Ltd, a Canadian company listed on the TSX Venture Exchange and subsequently renamed Ausam Energy Corporation. The issue price of each Ausam Energy share is CA\$0.75. Existing shareholders of Ausam Energy have also approved the Scheme.

In conjunction with this transaction, Ausam Energy undertook a capital raising exercise seeking minimum subscriptions of CA\$4.4 million at a subscription price of between CA\$0.75 to CA\$1.00.

Carnarvon has been advised by AusAm Resources that Ausam Energy expects that subscriptions to its capital raisings will exceed CA\$4.4 million. In addition, AusAm Resources is seeking final Court approval for the Scheme of Arrangement at a hearing of the Federal Court on 30 July 2004. Subject to Court approval being granted on that date, Carnarvon anticipates receiving its exchanged shares in Ausam Energy shortly thereafter and it is expected that trading in Ausam Energy shares will recommence on the TSX Venture Exchange in August 2004.

## **CORPORATE ACTIVITIES**

The Company's consolidated cash balance at the end of the quarter is \$528,000.

The directors of Carnarvon have continually monitored the progress of the AusAm Resources transaction and will consider divesting its investment which would have a value of approximately A\$480,000 at the Ausam Energy minimum subscription price for its shares of CA\$0.75.

All material costs associated with the Phase III development program had been paid in the previous quarter. Payments for corporate administration costs in the June quarter was \$224,000, a reduction of nearly \$100,000 from the previous quarter, reflecting cost savings arising from ongoing prudent management of expenditure.

## **CARNARVON PETROLEUM LIMITED**

Rick A Pullia  
COMPANY SECRETARY

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# 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")

30 JUNE 2004

### Consolidated statement of cash flows

| Cash flows related to operating activities                      | Current quarter<br>\$A'000 | Year to date<br>(12 months)<br>\$A'000 |
|---|----------------------------|--|
| 1.1 Receipts from product sales and related debtors             | 234                        | 997                                    |
| 1.2 Payments for  |                            |  |
| (a) exploration and evaluation                                  | (4)                        | (10)                                   |
| (b) development   | (52)                       | (1,542)                                |
| (c) production  | (272)                      | (839)                                  |
| (d) administration  | (224)                      | (1,554)                                |
| 1.3 Dividends received  | -                          | -                                      |
| 1.4 Interest and other items of a similar nature received       | 8                          | 17                                     |
| 1.5 Interest and other costs of finance paid                    | -                          | -                                      |
| 1.6 Income taxes paid   | -                          | -                                      |
| 1.7 Other (provide details if material)                         | -                          | -                                      |
| <b>Net Operating Cash Flows</b>                                 | <b>(310)</b>               | <b>(2,931)</b>                         |
| <b>Cash flows related to investing activities</b>               |                            |  |
| 1.8 Payment for purchases of:                                   |                            |  |
| (a) prospects   | -                          | -                                      |
| (b) equity investments  | -                          | -                                      |
| (c) other fixed assets  | (43)                       | (86)                                   |
| 1.9 Proceeds from sale of:                                      |                            |  |
| (a) prospects   | -                          | -                                      |
| (b) equity investments  | -                          | -                                      |
| (c) other fixed assets  | -                          | -                                      |
| 1.10 Loans to other entities                                    | -                          | -                                      |
| 1.11 Loans repaid by other entities                             | -                          | -                                      |
| 1.12 Other (provide details if material)                        | -                          | -                                      |
| <b>Net investing cash flows</b>                                 | <b>(43)</b>                | <b>(86)</b>                            |
| 1.13 Total operating and investing cash flows (carried forward) | <b>(353)</b>               | <b>(3,017)</b>                         |

+ See chapter 19 for defined terms.

|      |  |            |            |
|------|--|------------|------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (353)      | (3,017)    |
|      | <b>Cash flows related to financing activities</b>          |            |            |
| 1.14 | Proceeds from issues of shares, options, etc.              | -          | 3,194      |
| 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)                        | -          | -          |
|      | <b>Net financing cash flows</b>                            | -          | 3,194      |
|      | <b>Net increase (decrease) in cash held</b>                | (353)      | 177        |
| 1.20 | Cash at beginning of quarter/year to date                  | 881        | 357        |
| 1.21 | Exchange rate adjustments to item 1.20                     | -          | (6)        |
| 1.22 | <b>Cash at end of quarter</b>                              | <b>528</b> | <b>528</b> |

**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<br>\$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 104                        |
| 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' remuneration including superannuation.

**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<br>\$A'000 | Amount used<br>\$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities             |                             |                        |
| 3.2 Credit standby arrangements |                             |                        |

**Estimated cash outflows for next quarter**

|                                | \$A'000   |
|--------------------------------|-----------|
| 4.1 Exploration and evaluation | 20        |
| 4.2 Development                | 50        |
| <b>Total</b>                   | <b>70</b> |

**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<br>\$A'000 | Previous quarter<br>\$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank  | 513                        | 866                         |
| 5.2 Deposits at call  | 15                         | 15                          |
| 5.3 Bank overdraft  | -                          | -                           |
| 5.4 Other (provide details)   | -                          | -                           |
| <b>Total: cash at end of quarter (item 1.22)</b>  | <b>528</b>                 | <b>881</b>                  |

**Changes in interests in mining tenements**

|     | Tenement<br>reference | Nature of interest<br>(note (2))                              | Interest at<br>beginning<br>of quarter | Interest at<br>end of<br>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 <b>Preference securities</b><br><i>(description)</i>   |              |               |   |  |
| 7.2 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions |              |               |   |  |
| 7.3 <b>+Ordinary securities</b>  | 272,312,513  | 272,312,513   |   |  |
| 7.4 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              |              |               |   |  |
| 7.5 <b>+Convertible debt securities</b><br><i>(description)</i>  |              |               |   |  |
| 7.6 Changes during quarter<br>(a) Increases<br>(b) Decreases   |              |               |   |  |
| 7.7 <b>Options</b><br><i>(description and conversion factor)</i>   | 37,492,101   | 37,492,101    | <i>Exercise price</i><br>6 cents              | <i>Expiry date</i><br>31 December 2005           |
| 7.8 Issued during quarter  |              |               |   |  |
| 7.9 Exercised during quarter   |              |               |   |  |
| 7.10 Expired during quarter  |              |               |   |  |
| 7.11 <b>Debentures</b><br><i>(totals only)</i>   |              |               |   |  |
| 7.12 <b>Unsecured notes</b><br><i>(totals only)</i>  |              |               |   |  |

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