



**CARNARVON  
PETROLEUM  
LIMITED**  
ABN 60 002 688 851

29 October 2004  
Company Announcements Office  
Australian Stock Exchange Limited  
Exchange Centre  
20 Bond Street  
SYDNEY NSW 2000  
Via ASX Online

Dear Sirs,

**QUARTERLY REPORT FOR SEPTEMBER 2004**

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

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

Yours faithfully,  
CARNARVON PETROLEUM LIMITED

Rick A Pullia  
COMPANY SECRETARY

**REPORT FOR SEPTEMBER 2004 QUARTER**

During the September 2004 quarter the Company, through its wholly owned subsidiary, Strategic Exploration (Asia) Limited (“SEAL”), commenced legal proceedings in Alberta, Canada seeking orders directing Pacific Tiger (Energy) Thailand Limited and Pacific Tiger Energy Inc. (collectively “Pacific Tiger”) to comply with the provisions of the Joint Operating Agreement and Farmin Agreement. These two agreements govern relations between the partners in the Wichian Buri SW1A Concession joint venture in Thailand.

Carnarvon’s concern about the extent of funding of the joint venture by Pacific Tiger caused it to commence these proceedings. Amongst other matters, Carnarvon alleges that:

- Pacific Tiger has not fully funded its share of joint venture expenditures;
- Pacific Tiger has not remitted to Carnarvon its share of joint venture revenues; and
- Pacific Tiger has not provided recent financial and operational information concerning the joint venture, including the final report from Navigator Resource Management Inc. on its review of the Wichian Buri oilfield.

The court has set a date of 24 November 2004 for a hearing of Carnarvon’s legal action.

SEAL has also taken separate legal action against Pacific Tiger Energy, Inc. pursuant to a guarantee in the Farmin Agreement for payment of cash receipts owed to SEAL.

The Company has prepared this quarterly report on activities, and accompanying consolidated statement of cash flows, based on available actual financial and operational information and reasonable estimates. SW1A Concession joint venture financial and operational information for the complete quarter ended 30 September 2004 has not been provided by Pacific Tiger. The Company believes that the reported quarterly financial results, incorporating estimates, is not materially different from actual results.

**CASH RESOURCES**

Carnarvon has ended the quarter with a strong working capital position. The liquid assets available to the Company, adjusted as at 30 September 2004, is \$944,000, summarised as follows:

	<u>\$000</u>
• Cash at bank at 30 September	251
• Net cash realised from partial disposal of listed shares in Ausam Energy Corporation, post 30 September	138
• Share of SW1A joint venture cash receipts owing to Carnarvon for the quarter ended 30 September	205
• Net value of remaining investment in Ausam Energy Corporation	<u>350</u>
<b>Liquid assets available to Carnarvon</b>	<b><u>944</u></b>

## **EXPLORATION & DEVELOPMENT ACTIVITIES**

### **SW1A Concession – Thailand**

(Carnarvon 40% / Pacific Tiger Energy 60%)

Carnarvon has estimated that its share of joint venture cash receipts for the quarter was \$205,000 and that the average sale price per barrel of oil sold was at least US\$25.19 per barrel. Pacific Tiger, as operator of the SW1A joint venture, has failed to remit to Carnarvon its share of the joint venture cash receipts during the period, and is retaining these receipts in Pacific Tiger's bank account. Accordingly, these receipts remain due and payable to Carnarvon and have not been included in the consolidated statement of cash flows.

Total production for the quarter is estimated at 16,700 barrels at an average of 182 BOPD based on the actual production results from 1 July to 22 August 2004. This is a decrease from the June quarter results of 18,346 bbls and an average of 202 BOPD.

Navigator Resource Management Inc., a Calgary-based firm providing technical and fiscal consulting services to the oil and gas industry worldwide, was commissioned by Pacific Tiger, on behalf of the joint venture partners, to advise on the status of the Thai operations, undertake a review of the performance of wells WB-N7 and N8, recommend options for the remediation of the wells; and to provide further information or recommendations on field development. To date Carnarvon has not been provided with a copy of the report.

Pacific Tiger, in a corporate update released to the TSX Venture Exchange dated 19 August 2004, advised that certain operational improvements were being contemplated which included re-establishing production from the previously suspended WB-N1 well and a work-over program to increase overall field production. Carnarvon understands that the Operator, Pacific Tiger, has not commenced remediation of wells WB-N7 and N8, nor has the work-over program commenced.

Carnarvon's share of budgeted cash production costs for the months of July to September, was approximately A\$202,000. Carnarvon approved these expenditures, subject to its right to make subsequent adjustments for actual costs incurred when provided with the relevant financial information by Pacific Tiger. Carnarvon's share of the actual cash production costs for the quarter are expected to be lower given that Pacific Tiger has separately reported that the joint venture is deriving overhead cost savings. However, the actual cash impact of the production expenditure cash calls was offset by a refund due to Carnarvon of A\$151,000 for seismic acquisition costs previously advanced to the joint venture. There was no expenditure on development activities during the quarter based on the cash calls submitted to Carnarvon.

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. 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 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. 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, Elevala, 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 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. 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 Energy Corporation**

Carnarvon owns approximately 2% of Ausam Energy Corporation (formerly AusAm Resources Limited) and retains a 2.5% royalty interest over two Perth Basin blocks held by Ausam by virtue of a sale agreement completed in 2000.

During the September 2004 quarter, Ausam completed its capital reconstruction and capital raising program and successfully listed on the Canadian TSX Venture Exchange on 16 September 2004 at C\$0.75 per share. Subsequent to 30 September 2004, Carnarvon disposed of a portion of its investment at prices ranging from C\$0.75 to C\$0.78 per share, grossing C\$129,000. The current value of Carnarvon's remaining investment, based on the latest Ausam closing price of C\$0.76 per share, is approximately A\$350,000.

**CORPORATE ACTIVITIES**

The Company's consolidated cash balance at the end of the quarter is \$251,000.

Payments for corporate administration costs in the September quarter totalled \$219,000, a small decrease compared to the June 2004 quarter amount of \$224,000, which reflects the Company's continued focus on cost management and reduction.

The Company is committed to resolving its legal dispute with Pacific Tiger as quickly as possible, but will take all steps necessary to safeguard and protect the Company's commercial interests.



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

<b>CARNARVON PETROLEUM LIMITED</b>
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ABN

60 002 688 851
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Quarter ended ("current quarter")

30 SEPTEMBER 2004
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### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(19)	(19)
(b) development	-	-
(c) production	(44)	(44)
(d) administration	(219)	(219)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	5
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>(277)</b>	<b>(277)</b>
<b>Cash flows related to investing activities</b>		
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	-	-
(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>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(277)</b>	<b>(277)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(277)	(277)
	<b>Cash flows related to financing activities</b>		
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)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(277)	(277)
1.20	Cash at beginning of quarter/year to date	528	528
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>251</b>	<b>251</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 \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	76
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	54
Fees for strategic and corporate finance consulting services provided by a director-related entity	22

**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	10
4.2 Development	-
<b>Total</b>	<b>10</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 \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	236	513
5.2 Deposits at call	15	15
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>251</b>	<b>528</b>

### 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 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (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 (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases (b) Decreases				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	37,492,101	37,492,101	<i>Exercise price</i> 6 cents	<i>Expiry date</i> 31 December 2005
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <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: 29 October 2004

## 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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