

Australian Operations Update

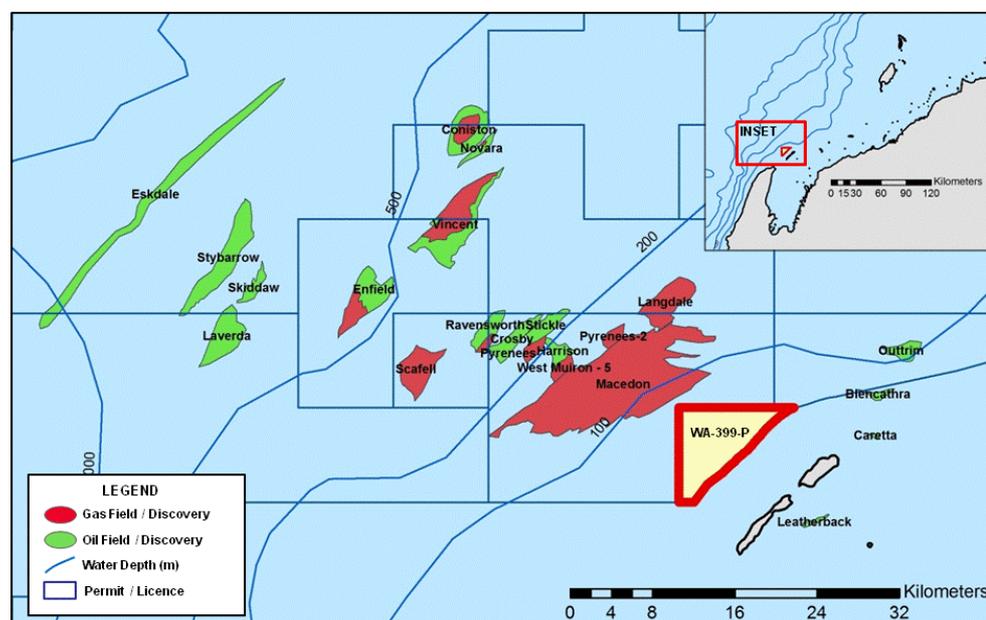
14 July 2010



Exploration Permit WA-399-P

Carnarvon Petroleum Limited (ASX:CVN) ("**Carnarvon**") and Rialto Energy Limited (ASX:RIA) ("**Rialto**") being the current joint venture partners in the WA-399-P exploration permit ("permit") are pleased to announce the farm out of a proportion of their interests in the permit to Apache Energy Limited ("**Apache**") and Jacka Resources Limited (ASX:JKA) ("**Jacka**") on the terms outlined below.

The WA-399-P exploration permit is situated offshore Western Australia within the Exmouth Sub-basin. The block is adjacent to the Pyrenees Oil development, a Joint Venture between BHP Billiton and Apache, which commenced oil production in March 2010. Nearby, there are several producing oil fields including Enfield, Vincent/Van Gogh as well as Macedon gas field and a number of other oil field discoveries as set out below.



The farmout to Apache comprises Apache undertaking, at its sole cost, a 3D seismic survey, which will fulfil the Year 2 and 3 work program obligations for the permit and in consideration for which Apache will acquire a 60% working interest in the permit and Operatorship.

3D seismic data to be acquired over the exploration permit in 2010

Carnarvon reduces permit interest to 13% in consideration for 3D work program and cash

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Apache plan to acquire the 3D seismic data over the permit in late 2010. The 3D seismic data acquisition exceeds the existing minimum exploration commitment obligation under the exploration permit's terms. The advanced acquisition and processing of the new 3D seismic data will enable the Joint Venture to further de-risk a number of existing prospects that have already been mapped within the permit.

The farm out to Apache crystallises the following benefits:-

1. Proactive introduction of a recognised strategic partner with extensive complimentary producing asset holdings, widespread regional and local geological knowledge and direct operational experience in offshore Exmouth region;
2. Significant capital investment saving through the fully carried cost (by Apache) of acquiring and processing the 3D seismic survey, as compared to the recently contemplated cost (to the pre-existing Joint Venture) of acquiring 2D seismic data as part of the committed work program for the permit; and
3. Exposure to high quality new 3D seismic data which will provide the most comprehensive dataset to de-risk existing prospects and enable a comprehensive evaluation of the additional prospectivity within the permit before undertaking any drilling activities.

Immediately following the farm out to Apache, Rialto and Jacka will complete their previously announced farm out and Carnarvon and Jacka will exchange a 7% working interest in consideration for Jacka making a cash payment to Carnarvon. Following completion of the respective farm in obligations the Joint Venture partners' respective interests will be as follows:

- Apache 60% and Operator;
- Jacka 15%;
- Carnarvon 13%;
- Rialto 12%.

CEO's comments

Carnarvon's CEO, Mr Ted Jacobson said in reference to this announcement:

"We are pleased to introduce the new partners to the Joint Venture and look forward to working with them in assessing the geological prospectivity of this permit. This opportunity provides Carnarvon with an opportunity to review significantly better quality seismic data before entering an important drilling commitment year with the Government. It also allows Carnarvon to re-allocate budgeted capital and sales proceeds from this permit to new exploration projects and maintain a level of interest in the WA-399-P permit that is material in the event of a discovery, yet fundable with minimal impact on Carnarvon's shareholders through to development."