



CARNARVON  
PETROLEUM  
LIMITED  
ABN 60 002 688 851

31 January 2006  
Company Announcements Office  
Australian Stock Exchange Limited  
Exchange Centre  
20 Bond Street  
SYDNEY NSW 2000  
Via ASX Online

Dear Sirs,

**QUARTERLY REPORT FOR DECEMBER 2005**

Please find attached Carnarvon Petroleum Limited's Mining Exploration Entity Quarterly Report for the quarter ended 31 December 2005 incorporating:

- Report on activities for the December 2005 quarter; and
- Appendix 5B.

Yours faithfully,  
CARNARVON PETROLEUM LIMITED

Bob Anderson  
COMPANY SECRETARY

**REPORT FOR DECEMBER 2005 QUARTER**

**SUMMARY**

Key events in the quarter were:

- Carnarvon has restructured its Board and management with the appointment of Ted Jacobson as Chief Executive Officer and the relocation of its corporate office to Perth. Mr Jacobson is a petroleum geologist with 35 years experience in international petroleum exploration. He was a co-founder of Discovery Petroleum and more recently Tap Oil Ltd which grew to a market capitalization of over \$400 million under his technical leadership.
- The company's SW1A Joint Venture partner in Thailand, Tiger Petroleum Inc, has been acquired by Calgary-based Pan Orient Energy Corp ("POE"). During the quarter settlement was reached on outstanding litigation between Carnarvon's subsidiary Strategic Exploration (Asia) (SEAL) and POE's subsidiary Tiger Petroleum Inc (Tiger).
- On the basis of extensive technical work, POE has scheduled a comprehensive programme of development and exploration work at SW1A which has been endorsed by Carnarvon.
- Carnarvon is proceeding to sell its interests in Petroleum Retention Licences 4 & 5 which contain discovered gas and condensate in Papua New Guinea. Discussions are continuing with the PNG joint venture partners as to the exercise of their pre-emptive rights.
- The SW1A Joint Venture in Thailand reported a cash operating profit of US\$265,000 for the December 2005 quarter. The average oil price was US\$45.20 bbl, a 1.7% decrease on the previous quarter, and cash attributable to Carnarvon was A\$144,000.
- Consolidated cash balances at the end of the quarter were \$678,000, compared to \$1,019,000 at 30 September 2005.

## **EXPLORATION & DEVELOPMENT ACTIVITIES**

### **SW1A Concession (Wichian Buri Oil Field) – Thailand** **(Carnarvon Petroleum 40% / Tiger Petroleum 60%)**

The company's SW1A Joint Venture partner in Thailand, Tiger Petroleum Inc, has been acquired by Calgary-based Pan Orient Energy Corp ("POE"). POE is a TSX-listed energy company with a strong, international management team and directors with extensive oil & gas industry experience. During the quarter settlement was reached on outstanding litigation between Carnarvon's subsidiary Strategic Exploration (Asia) (SEAL) and POE's subsidiary Tiger Petroleum Inc (Tiger) in relation to the Wichian Buri Joint Venture. The terms of the settlement include POE funding SEAL's share of the approved cost of the next two wells, confirmation of SEAL's entitlement to a 40% interest in Exploration Block L33/43, and a revised operating agreement to reflect normal industry practice.

Cash operating profit of the SW1A Joint Venture in the current quarter was US\$265,000, and the share attributable to Carnarvon was A\$144,000. The operating results for the December 2005, September 2005 and June 2005 quarters are shown in the following table:

<b>SW1A Operating Results Before Gemini Royalty</b>	<b>Dec 2005 QTR</b>	<b>Sept 2005 QTR</b>	<b>June 2005 QTR</b>
Oil production rate	146 BOPD	159 BOPD	169 BOPD
Total production	13,462 bbls	14,599 bbls	15,391 bbls
Average sale price	US\$45.20/bbl	US\$45.97/bbl	US\$40.41/bbl
Cash operating profit/(loss)	US\$265,000	US\$374,000	US\$276,000
Cash attributable to Carnarvon	A\$144,000	A\$198,000	A\$144,000

Total production for the quarter decreased to 13,462 barrels at an average of 146 BOPD, which is in line with the normal decline profile of existing wells. The decrease in cash operating profit from September to December quarters was attributable due to lower sales volumes and higher operating and transportation expenses.

It is anticipated that two in-fill wells within the Wichian Buri Oil Field will be drilled and if successful, completed for production during the first quarter 2006. An extensive 3D seismic survey to define the complex structural geology of Wichian Buri, and to enable revision of the reserves estimates and positioning of future drilling is planned to commence in February 2006. Once the data are analysed and interpreted, the joint venture will then consider embarking on a cost-effective staged drilling program of 10 firm and 10 contingent production and exploration wells for the remainder of 2006.

Carnarvon's share of the planned March quarter expenditure is currently estimated as being A\$2.5 million, to be funded from cash reserves and future capital raisings.

**Carnarvon Basin (Western Australia)**

**EP 110 and EP 424**

**(Carnarvon Petroleum 35% / Strike Oil 40% / Pancontinental Oil & Gas 25%)**

Carnarvon has a 35% interest in the consolidated permits EP 110 and EP 424 in the Carnarvon Basin. Strike Oil is the operator of both permits.

In November 2005 the Joint Venture recorded the Baha 2D Marine Seismic Survey. The seismic lines will assist with the evaluation of the Baniyas prospect which has an oil potential of 60 million barrels of recoverable oil.

During the quarter Carnarvon made a cash contribution of \$107,000 to this joint venture.

**Papuan Basin (Papua New Guinea)**

**PRL 4 and PRL 5 including the Stanley, Elevala, and Ketu gas & condensate discoveries**

**(Carnarvon Petroleum 15% / Santos 35.5% / InterOil 20% / AWE 15% / TransOrient 7.25% / Horizon Oil 7.25%)**

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, Elevala-1, Ketu-1 and Stanley-1. An application has been lodged for a five year extension to the PRL4 permit.

In October 2005 Carnarvon announced that it had agreed to sell its interests in PRLs 4 and 5 to New Guinea Energy Limited (“NGE”) for consideration of \$500,000. Discussions are continuing with the other joint venture partners as to the exercise of their pre-emptive rights in relation to this offer and the completion of this transaction relative to Santos and AWE divesting their own interests

Santos has given notice of its withdrawal from PRL4 with the intention that TransOrient assume the role of operator. AWE has also given notice of an intention to divest its interest in PRLs 4 and 5 to other joint venture partners who exercised their pre-emptive rights.

## **CORPORATE ACTIVITIES**

In December 2005 Mr Ted Jacobson was appointed as Chief Executive Officer of the Company. Mr Jacobson is a petroleum geologist with 35 years worldwide experience in petroleum exploration. Within Australia he has been responsible for initiating a number of discoveries within the Cooper Basin, Barrow Sub Basin, and Timor Sea. Mr Jacobson is well known as a co-founder of Discovery Petroleum and more recently since 1996 co-founder and technical director of Tap Oil Ltd which grew to a market capitalization of over \$400 million under his technical leadership.

Following the settlement with Pan Orient Energy and the relocation of the corporate office to Perth, Mr Andrew Shelton retired as a director at the company's November Annual General Meeting.

Mr Bob Anderson has been appointed as Chief Financial Officer / Company Secretary. Bob has over 20 years private and public practice experience and has been a senior finance executive and Company Secretary in a number of listed and unlisted entities.

Subsequent to quarter end the company completed the relocation of its corporate office to Perth. It is anticipated this will enable the company to take advantage of Perth's oil and gas industry technical resources and a more active commercial environment, as well as reduce corporate costs.

Consolidated cash balance at the end of the quarter is \$678,000, including the company's 40% share of the cash held by the SW1A Joint Venture.

With the above corporate changes there has been significant trading in Carnarvon's shares. An updated top 20 shareholders list (as at 30 January) is attached:

## Top 20 Holders of ORDINARY FULLY PAID SHARES

\*G1 / ORDINARY FULLY PAID SHARES

Rank	Name	Units	% of Issued Capital
1	PETROLEUM VENTURES PTY LTD C/- RESOURCE RECRUITMENT SUITE 17 LEVEL 1 18 STIRLING HIGHWAY NEDLANDS WA	23,406,500	7.37
2	TRICOM NOMINEES PTY LTD <LPG A/C> LEVEL 31 360 COLLINS STREET MELBOURNE VIC	12,500,000	3.93
3	HAMILTON CAPITAL PARTNERS LTD C/- ALLIANCE INVESTMENTS SAM LE PANORAMA AB 57 RUE GRIMALDI MC98000 MONACO	11,168,596	3.52
4	WICKHAM HOLDINGS SA MEIERHOFSTRASSE 5 FL-9490 VADUZ FURSTENTUM LIECHTENSTEIN	8,333,333	2.62
5	ARNE INVESTMENTS PTY LTD LEVEL 2 88 COLLINS STREET MELBOURNE VIC	8,316,906	2.62
6	NEFCO NOMINEES PTY LTD GPO BOX W2024 PERTH WA	7,158,611	2.25
7	ARNE INVESTMENTS PTY LTD LEVEL 15 90 COLLINS STREET MELBOURNE VIC	5,792,000	1.82
8	ANZ NOMINEES LIMITED <CASH INCOME A/C> GPO BOX 2842AA MELBOURNE VIC	5,736,017	1.81
9	CITICORP NOMINEES PTY LIMITED GPO BOX 764G MELBOURNE VIC	5,055,305	1.59
10	LANDO PTY LTD 17 STROME ROAD APPLECROSS WA	5,000,000	1.57
11	DALKEITH RESOURCES PTY LTD 2 RIVER RETREAT KEW VIC	4,744,173	1.49
12	PENDOMER INVESTMENTS PTY LTD <LAW SETTLEMENTS FUND A/C> PO BOX 424 WEST PERTH WA	4,600,000	1.45
13	MR EDWARD PATRICK JACOBSON 43 VIKING ROAD DALKEITH WA	3,749,410	1.18
14	MR LAWRENCE ADDISON BROWN + MRS JILL BROWN 4 TIRRIL WAY MARTON CLEVELAND ENGLAND TS78PN UNITED KINGDOM	3,444,449	1.08
15	MR JEFFREY FRANK FRADD 9/7 BINDARING PARADE CLAREMONT WA	3,190,000	1.00
16	OASIS INTL GENERAL TRADING LLC PO BOX 11950 DUBAI UNITED ARAB EMIRATES	3,179,359	1.00
17	MR JOSEPH HUNTER PATRICK 16 GOLDFINCH AVENUE CHURCHLANDS WA	2,827,000	0.89
18	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LTD LEVEL 41 120 COLLINS STREET MELBOURNE VIC	2,555,300	0.80
19	MR GREGORY JOHN MUNYARD <THE G J MUNYARD FAMILY A/C> 9 GIBNEY VISTA WEST LEEDERVILLE WA	2,535,734	0.80
20	WESTPAC CUSTODIAN NOMINEES LIMITED 50 PITT STREET SYDNEY NSW	2,491,000	0.78

CARNARVON PETROLEUM LTD  
ABN 60002688851



**Top Holders Daily**

as at 30 Jan 2006

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## Top 20 Holders of ORDINARY FULLY PAID SHARES

\*G1 / ORDINARY FULLY PAID SHARES

Rank	Name	Units	% of Issued Capital
Total		125,783,693	39.57

# 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")

31 DECEMBER 2005
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### 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	302	618
1.2 Payments for (a) exploration and evaluation	(107)	(107)
(b) development	-	(7)
(c) production	(186)	(362)
(d) administration	(380)	(494)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	13
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(365)</b>	<b>(340)</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)	(7)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	17	17
(c) other fixed assets	8	8
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>24</b>	<b>18</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(341)</b>	<b>(322)</b>

+ See chapter 19 for defined terms.



1.13	Total operating and investing cash flows (brought forward)	(341)	(322)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	699
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>	-	699
	<b>Net increase (decrease) in cash held</b>	(341)	377
1.20	Cash at beginning of quarter/year to date	1,019	301
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>678</b>	<b>678</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	41
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

**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

**Note: cash balances include the company's interest in 40% of cash held by the SW1A Joint venture in Thailand**

+ 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	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	
4.2 Development	2,500
<b>Total</b>	<b>2,500</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	607	962
5.2 Deposits at call	71	57
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>678</b>	<b>1,019</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.*

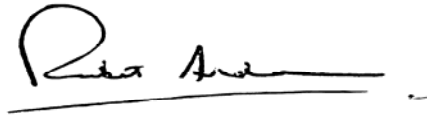
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	317,672,134	317,672,134		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	5,500,000	5,500,000	1.8 cents	1.8 cents
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>	Nil	Nil	<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
7.9 Exercised during quarter	26,288		6 cents	31 December 2005
7.10 Expired during quarter	38,465,813		6 cents	31 December 2005
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: Robert A Anderson  
COMPANY SECRETARY

Date: 31 January 2006

## 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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