



CARNARVON
PETROLEUM
LIMITED
ABN 60 002 688 851

31 January 2006

Company Announcements Office
Australian Stock Exchange Limited

Via ASX Online

Dear Sirs,

QUARTERLY REPORT FOR DECEMBER 2006

Please find attached Carnarvon Petroleum Limited's Mining Exploration Entity Quarterly Report for the quarter ended 31 December 2006 incorporating:

- Report on activities for the December 2006 quarter; and
- Appendix 5B.

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 fluid and cursive.

RA Anderson
Company Secretary

REPORT FOR THE DECEMBER 2006 QUARTER

SUMMARY

Key events during the quarter were:

- The last four wells (POE-3, POE-5, POE-7 and POE-9) of the eight well Phase 1 programme were drilled, as well as a re-drill of POE-1.
- Seven of the eight wells in the Phase 1 drilling programme have been successful in finding oil pay at several levels. The high success rate confirms the production potential and prospectivity of the Wichian Buri Oil Field and surrounding exploration permits.
- Four of the phase 1 wells (POE-2, POE-3, POE-5 and POE-6) were brought onto extended production testing during the quarter. POE-1 and POE-9 were brought onto extended production testing subsequent to the quarter. The six wells are currently at various stages of production testing.
- The POE-9 discovery well commenced production of oil after quarter end. This discovery represents success of a new play concept in fractured volcanic reservoir with the potential for significant flow rates of oil.
- Currently the Joint Venture is producing at a gross rate of up to 673 bopd, however this rate does not reflect the total production potential of Wichian Buri as wells are in various stages of development testing and further wells are to be brought into production. Work is continuing on improving production from the Phase 1 wells and re-working other wells.
- Interpretation of the 245 sq km 3D seismic survey, recorded earlier in the year, progressed with the positioning of a programme of up to 20 wells (“Phase 2”) planned to commence in March 2007. This programme will comprise a mixture of exploration and development wells with full field development of the new POE-9 oil discovery comprising a major component.
- The consolidated cash balance at the end of the quarter was \$1.7 million, compared to \$3.2 million at the end of the previous quarter.

EXPLORATION, DEVELOPMENT AND OPERATIONAL ACTIVITIES

SW1A Concession (Wichian Buri Oil Field) – Thailand (Carnarvon Petroleum 40% / Pan Orient Energy 60%)

Exploration and Development

The Phase 1 drilling programme, consisting of five development wells and three exploration wells, commenced on 11 July 2006. At 31 December 2006 all eight Phase 1 wells had been drilled.

The last four wells in the Phase 1 programme (POE-3, POE-5, POE-7 and POE-9), as well as a re-drill of POE-1, were drilled during the quarter, with six of the Phase 1 wells (POE-1, POE-2, POE-3, POE-5, POE-6 and POE-9) currently at various stages of production testing.

POE –3 and POE-5 Development Wells

During the quarter the POE-3 and POE-5 wells were drilled as infill production wells to increase production from the Wichian Buri Oil Field. Both wells were successful in intersecting oil pay within the “F”, “G”, and “H” sandstone reservoir levels. Both wells have been completed for production.

POE-2 and POE-6 Development Wells

During the quarter, both wells were completed for production.

POE-7 Exploration Well

On 21 November 2006, the POE-7 exploration well was drilled to a total depth of 1,125 metres. Log and RFT pressure data indicated that all prospective reservoir zones were likely water bearing. As a result the well was plugged and abandoned.

POE-9 Exploration Well

The POE-9 exploration well is located on a structural high 150 metres structurally updip of the previously drilled Na Sanun-1 well which flowed oil at rates of approximately 1,400 bopd before watering out after a short period. The well was drilled in the southern fault block of a large 12 square kilometre faulted structural closure segmented into four separate fault blocks.

On 31 December 2006 the POE-9 well was drilled to a depth of 1,275 metres. The well encountered four potential fractured volcanic reservoir zones at depths of 794, 853, 1,007 and 1,142 metres. The second zone at 853 metres of approximately 50 metres in gross thickness was perforated in the top 17 metres with flow testing commencing on 10 January 2007.

Production testing of this well commenced subsequent to quarter end and the well is currently free flowing oil at a rate of approximately 360 bopd, with a beam pump operating to keep the production tubing clear of wax.

The other potential fractured reservoir zones encountered in the well will not be flow tested at this time. This will allow the well to be put on production immediately without being potentially compromised by further operations.

The Joint Venture is now applying to the Thailand Department of Mineral Fuels for a production licence to cover this large structural closure. Once the application is approved the Joint Venture will commence further appraisal and development of this new field throughout 2007.

POE-1 RD Re-drill Development Well

During the quarter POE-1 was redrilled (as POE-1 RD) due to operational problems in the drilling of POE-1 earlier in the year. The well was drilled to a total depth of 995m and encountered 8m of reservoir quality "F" sandstone in the northernmost and structurally highest position drilled to date in the main Wichian Buri Field. Drilling was terminated above the deeper "G" sandstone to avoid the drilling difficulties experienced with the previous POE-1 well.

Production Testing and Workover Programme

Production testing of the successfully drilled Phase 1 wells within and surrounding the Wichian Buri Oil Field commenced in mid October. To date six wells (POE-1, POE-2, POE-3, POE-5, POE-6 and POE-9) have been opened up and are in various stages of production testing.

The workover programme of previously drilled wells continued during the quarter. Workovers of Wichian Buri N6, N7, and N8 were completed, resulting in improved production rates for the wells. Further workovers will progress in the coming months with the aim of lifting production for the Wichian Buri Oil Field.

Currently the Wichian Buri, Si Thep and POE-9 fields are producing at an approximate gross rate of up to 673 bopd with further improvements anticipated as surface infrastructure modifications are made and all wells are fully opened up for production.

Phase 2 Drilling

The 3D seismic data recorded earlier in 2006 is of very good quality. Based on these data and the results and analysis of Phase 1 drilling, 22 prospects have been identified and submitted for government consideration and approval for these to be drilled in Phase 2 (up to 20 wells). Long lead items have been ordered for the first of the Phase 2 wells, anticipated to commence in March 2007.

Operations

Production results for the December 2006, September 2006, and June 2006 quarters are shown in the table below:

SW1A Operating Data	December 2006 quarter	September 2006 quarter	June 2006 quarter
Average oil production rate	196 bopd	83 bopd	80 bopd
Total production	18,042 bbls	7,600 bbls	7,295 bbls
Average sale price achieved	US\$43.54/bbl	US\$50.57/bbl	US\$53.61/bbl

Total production for the quarter increased as a consequence of the Phase 1 wells under testing and the improved performance from the older wells resulting from the workover programme.

Carnarvon's share of the planned March 2007 quarter expenditure is currently estimated at A\$2 million. The Joint Venture is currently reviewing the forward programme in the light of the recent drilling results.

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 permits EP 110 and EP 424 in the Carnarvon Basin, offshore northwest of Western Australia. Strike Oil is the operator of both permits.

Within EP 424 a new seismic survey of 178 kms has been acquired over the Baniyas prospect, which is a top Barrow Group prospect situated on the downthrown side of the Flinders Fault. Bright seismic amplitudes on the crest of the structure are similar to those observed on other prospects drilled along the Flinders Fault which encountered a gas cap on an oil leg. A large prospect has been identified at Baniyas with the bright seismic amplitudes covering a considerable area.

The new seismic data was acquired to enable detailed mapping of the Baniyas Prospect which lies on the western edge of the EP 424 permit and overlaps into the Chevron operated permit TL/4. Costs for the acquisition of the new seismic are being shared between the Chevron-operated joint venture and the EP 424 Joint Venture.

The Baniyas Prospect lies 6 kms to the southeast and updip of the Chevron-operated Saladin Oil Field and a success at Baniyas could be rapidly tied into the Chevron-operated infrastructure.

The year 3 EP 424 exploration programme requires a commitment of \$152,000 by Carnarvon. This will be applied to the acquisition, processing and interpretation of the new seismic data.

CORPORATE ACTIVITIES

Carnarvon has identified a number of new venture opportunities and is currently reviewing several high impact opportunities.

The Company has also applied for a single gazettal block within the offshore Carnarvon Basin, Australia. Award is anticipated in the next few weeks.

The consolidated cash balance at the end of the quarter was \$1.7 million, compared to \$3.2 million at the end of the previous quarter.

An updated top 20 shareholders list (as at 29 January) is attached:

Top 20 Holders of ORDINARY FULLY PAID SHARES

*G1 / ORDINARY FULLY PAID SHARES

Rank	Name	Units	% of Issued Capital
1	ANZ NOMINEES LIMITED <CASH INCOME A/C> GPO BOX 2842AA MELBOURNE VIC	12,743,552	2.65
2	HAMILTON CAPITAL PARTNERS LTD C/- ALLIANCE INVESTMENTS SAM LE PANORAMA AB 57 RUE GRIMALDI MC98000 MONACO	11,168,596	2.32
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED GPO BOX 5302 SYDNEY NSW	9,430,000	1.96
4	ARNE INVESTMENTS PTY LTD LEVEL 2 88 COLLINS STREET MELBOURNE VIC	8,916,906	1.85
5	GERALDTON AGRICULTURAL SERVICES PTY LTD PO BOX 6 GERALDTON WA	8,000,000	1.66
6	MR EDWARD PATRICK JACOBSON 43 VIKING ROAD DALKEITH WA	8,000,000	1.66
7	MR PETER JAMES LEONHARDT 24 AGETT ROAD CLAREMONT WA	7,800,000	1.62
8	CITICORP NOMINEES PTY LIMITED GPO BOX 764G MELBOURNE VIC	7,724,738	1.60
9	ARNE INVESTMENTS PTY LTD LEVEL 2 88 COLLINS STREET MELBOURNE VIC	6,710,493	1.39
10	MR LAWRENCE ADDISON BROWN + MRS JILL BROWN 4 TIRRIL WAY MARTON CLEVELAND ENGLAND TS78PN UNITED KINGDOM	6,439,480	1.34
11	MR GREGORY JOHN MUNYARD <THE G J MUNYARD FAMILY A/C> 9 GIBNEY VISTA WEST LEEDERVILLE WA	6,292,768	1.31
12	PENDOMER INVESTMENTS PTY LTD <LAW SETTLEMENTS FUND A/C> PO BOX 424 WEST PERTH WA	5,676,293	1.18
13	MR JOHN THOMAS ROY 17 BROOME STREET COTTESLOE WA	5,642,218	1.17
14	DALKEITH RESOURCES PTY LTD 2 RIVER RETREAT KEW VIC	5,374,921	1.12
15	WICKHAM HOLDINGS SA MEIERHOFSTRASSE 5 FL-9490 VADUZ FURSTENTUM LIECHTENSTEIN	4,333,333	0.90
16	PETROLEUM VENTURES PTY LTD C/- RESOURCE RECRUITMENT SUITE 17 LEVEL 1 18 STIRLING HIGHWAY NEDLANDS WA	4,257,490	0.88
17	NATIONAL NOMINEES LIMITED GPO BOX 1406 MELBOURNE VIC	3,960,427	0.82
18	MR EDWARD PATRICK JACOBSON 43 VIKING ROAD DALKEITH WA	3,817,903	0.79
19	MR GREGORY JOHN MUNYARD + MRS MARIA ANN MUNYARD + MISS CARMEN HELENE MUNYARD <RIVIERA SUPER FUND A/C> 9 GIBNEY VISTA WEST LEEDERVILLE WA	3,619,721	0.75
20	MR DAVID ADDISON BROWN 148 KINGSWAY PETTS WOOD KENT BR51PU UNITED KINGDOM	3,593,736	0.75

Top 20 Holders of ORDINARY FULLY PAID SHARES

*G1 / ORDINARY FULLY PAID SHARES

Rank	Name	Units	% of Issued Capital
Total		133,502,575	27.72

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")

31 DECEMBER 2006

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	270	475
1.2 Payments for (a) exploration and evaluation	(37)	(37)
(b) development	(754)	(2,308)
(c) production	(399)	(582)
(d) administration	(327)	(548)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	44	76
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(322)	(322)
Net Operating Cash Flows	(1,526)	(3,247)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(13)	(263)
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	60	60
Net investing cash flows	47	(203)
1.13 Total operating and investing cash flows (carried forward)	(1,479)	(3,450)

Line1.7 includes advances to contractors and deposits paid within the SW1A Joint Venture

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,479)	(3,450)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	3,314
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)	-	-
	Net financing cash flows	-	3,314
	Net increase (decrease) in cash held	(1,479)	(136)
1.20	Cash at beginning of quarter/year to date	3,231	1,898
1.21	Exchange rate adjustments to item 1.20	(18)	(28)
1.22	Cash at end of quarter	1,734	1,734

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	103
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

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	500
4.2 Development	1,500
Total	2,000

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	92	60
5.2 Deposits at call	1,642	3,171
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,734	3,231

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

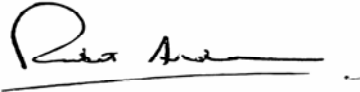
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	481,787,134	481,787,134		
7.4 Changes during quarter (a) Increases through issues				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases (b) Decreases				
7.7 Options <i>(description and conversion factor)</i>	11,000,000 11,000,000		<i>Exercise price</i> 7 cents 10 cents	<i>Expiry date</i> 31 March 2008 31 March 2009
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <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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