



CARNARVON  
PETROLEUM  
LIMITED  
ABN 60 002 688 851

31 July 2006

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

Dear Sirs,

**QUARTERLY REPORT FOR JUNE 2006**

Please find attached Carnarvon Petroleum Limited's Mining Exploration Entity Quarterly Report for the quarter ended 30 June 2006 incorporating:

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

Yours faithfully,  
Carnarvon Petroleum Limited

A handwritten signature in black ink, appearing to read 'RA Anderson', with a horizontal line underneath.

RA Anderson  
Company Secretary

**REPORT FOR JUNE 2006 QUARTER**

**SUMMARY**

Key events during the quarter were:

- The SW1A Joint Venture completed the reprocessing and interpretation of all existing 2D and 3D seismic data within the Wichian Buri production licence and the L33/43 and L44/43 exploration permits. Based on the results of the reprocessing a 6 well development programme (“Phase 1”) was approved by the Joint Venture. The first of these 6 wells commenced drilling immediately after the reporting period on 11 July.
- A new 245 sq km 3D seismic survey was undertaken to define the complex structural geology of Wichian Buri. This will assist in a revision of the reserves estimate and will be used for the positioning of a 15 to 20 well programme (“Phase 2”) planned to commence later in the year and extending into 2007. This programme will comprise a mixture of exploration and development wells.
- A revised assessment of reserves as at 31 December 2005 for the Wichian Buri Oil Field was completed by Gaffney, Cline and Associates, a recognised independent petroleum consulting company based in Singapore. This assessment attributed proven and probable reserves of 14.2 mmbbls gross (5.68 mmbbls net to Carnarvon) for the Wichian Buri Oil Field and nearby small Si Thep Oil Field.
- Carnarvon completed the sale of its interests in the PNG petroleum retention licences PRL 4 & 5 for A\$500,000 to its PNG joint venture partners, each of which exercised its pre-emptive rights. The sale proceeds were received in the June quarter.
- On 3 April 2006 shareholders approved the placement of 88.9 million shares at 4.5 cents per share to raise \$4 million. This is being used to fund the Company’s share of budgeted expenditure on the SW1A Joint Venture in Thailand and for working capital purposes.
- Consolidated cash balance at the end of the quarter was \$1.86 million (including the Company’s share of the cash held by the SW1A Joint Venture) compared to \$3.96 million at 31 March 2006.

## OPERATIONAL, EXPLORATION & DEVELOPMENT ACTIVITIES

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

#### *Development*

The Wichian Buri Joint Venture agreed to a work programme incorporating an intensive drilling program for the remainder of 2006 through 2007 which will see up to 26 wells being drilled in two phases.

*Phase 1* – Using the reprocessed and interpreted 3D seismic data over the Wichian Buri Oil Field, the Phase-1 programme was agreed by the Joint Venture to comprise 6 wells (including two free-carried wells for Carnarvon on a dry hole basis) to be drilled and completed prior to the mid-monsoon season around September/October. The Phase 1 wells comprise appraisal/development wells entirely within the production licence with the aim of improving oil production. Each well will be flowed for approximately 30 days to enable a good analysis of flow characteristics. It is planned that all 6 wells will be flow tested in this manner between September and November.

Drilling commenced on the first well (POE-2) of Phase 1 after the reporting period on 11<sup>th</sup> July. The well was positioned 0.24 kilometres to the northeast of the Wichian Buri N-2 production well which has been one of the best producers within the northern part of the field. POE-2 has been successfully drilled, logged and cased ready for production testing. Good to very good hydrocarbon shows and mud gas readings have been encountered in both the “F” sands and the “G” sands.

Construction work is nearing completion in preparing pads for another 5 wells to be drilled immediately following POE-2. It is anticipated that each well will take up to 12 days to drill.

*Phase 2* - An extensive 245 sq km 3D seismic survey was completed on 3<sup>rd</sup> June to define the complex structural geology of Wichian Buri. This will enable revision of the reserves estimates for Wichian Buri and the positioning of future drilling along the Wichian Buri structure. Once the data is fully analysed and interpreted it is planned to commence a second phase of drilling later in the year which will comprise up to 20 wells with the aim of finding new reserves as well as increasing oil production.

Carnarvon’s share of the planned September quarter expenditure is currently estimated at A\$1.4 million.

#### *Operations*

Production results for the June 2006, March 2006, and December 2005 quarters are shown in the table below:

<b>SW1A Operating Data</b>	<b>June 2006 quarter</b>	<b>March 2006 quarter</b>	<b>Dec 2005 quarter</b>
Oil production rate	80 bopd	100 bopd	146 bopd
Total production	7,295 bbls	8,963 bbls	13,462 bbls
Average sale price achieved	US\$53.61/bbl	US\$48.40/bbl	US\$45.20/bbl

Total production for the quarter decreased to 7,295 barrels at an average rate of 80 bopd from nine wells, primarily due to the natural decline in reservoir performance.

It is apparent from an initial analysis that many of the wells are not performing according to normal anticipated production profiles. A programme to re-enter and workover these wells is planned to commence later in the year after the Phase 1 wells are brought onto long term production testing.

### ***Reserve Assessment***

A revised assessment of reserves as at 31 December 2005 for the Wichian Buri Oil Field has now been completed by Gaffney, Cline and Associates, a recognised independent petroleum consulting company based in Singapore.

This assessment attributed proven and probable reserves of 14.2 mmbbls gross (5.68 mmbbls net to Carnarvon) for the Wichian Buri Oil Field and nearby small Si Thep Oil Field.

### **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. Strike Oil is the operator of both permits.

A new seismic survey of 178 kms has been acquired and is currently being processed. This data was acquired to enable detailed mapping of the large 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 seismic are being shared between the Chevron operated Joint Venture and our EP 424 Joint Venture. The Baniyas Prospect lies 6 kms to the southeast and updip of the Chevron operated Saladin Oil Field.

The year 3 exploration program comprises a company commitment of \$152,000. This will be applied to the acquisition, processing and interpretation of the new seismic data.

### **Papuan Basin (Papua New Guinea)**

#### **PRL 4 and PRL 5**

Carnarvon has sold its interests in PNG petroleum retention licences PRL 4 & 5 for A\$500,000 to its PNG joint venture partners, each of which exercised its pre-emptive rights.

Carnarvon received the sale proceeds in the June quarter.

## **CORPORATE ACTIVITIES**

The office move from Melbourne to Perth was completed during the quarter with Carnarvon taking new premises at 16 Ord Street, West Perth.

On 27<sup>th</sup> April Mr David Orth announced his retirement as a Director of Carnarvon. Mr Orth continued consulting to the Company up until 30 June.

On 3 April 2006 shareholders approved the placement of 88.9 million shares at 4.5 cents per share to raise \$4 million to fund the Company's share of budgeted expenditure on the SW1A Joint Venture in Thailand and for working capital purposes. Ten million of these shares were subscribed for by interests associated with the Company's directors and management.

Consolidated cash balances at the end of the quarter are \$1.86 million, including the Company's share of the cash held by the SW1A Joint Venture.

An updated top 20 shareholders list (as at 27 July) 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	16,506,538	4.01
2	TRICOM NOMINEES PTY LTD <LPG A/C> LEVEL 13/8 EXHIBITION STREET MELBOURNE VIC	13,382,759	3.25
3	HAMILTON CAPITAL PARTNERS LTD C/- ALLIANCE INVESTMENTS SAM LE PANORAMA AB 57 RUE GRIMALDI MC98000 MONACO	11,168,596	2.71
4	PETROLEUM VENTURES PTY LTD C/- RESOURCE RECRUITMENT SUITE 17 LEVEL 1 18 STIRLING HIGHWAY NEDLANDS WA	9,551,123	2.32
5	ARNE INVESTMENTS PTY LTD LEVEL 2 88 COLLINS STREET MELBOURNE VIC	8,916,906	2.17
6	MR EDWARD PATRICK JACOBSON 43 VIKING ROAD DALKEITH WA	8,000,000	1.94
7	MR PETER JAMES LEONHARDT 24 AGETT ROAD CLAREMONT WA	7,510,504	1.82
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED GPO BOX 5302 SYDNEY NSW	6,830,000	1.66
9	ARNE INVESTMENTS PTY LTD LEVEL 2 88 COLLINS STREET MELBOURNE VIC	5,792,000	1.41
10	MR LAWRENCE ADDISON BROWN + MRS JILL BROWN 4 TIRRIL WAY MARTON CLEVELAND ENGLAND TS78PN UNITED KINGDOM	5,754,407	1.40
11	PENDOMER INVESTMENTS PTY LTD <LAW SETTLEMENTS FUND A/C> PO BOX 424 WEST PERTH WA	5,600,000	1.36
12	NATIONAL NOMINEES LIMITED GPO BOX 1406 MELBOURNE VIC	4,972,927	1.21
13	CITICORP NOMINEES PTY LIMITED GPO BOX 764G MELBOURNE VIC	4,899,305	1.19
14	DALKEITH RESOURCES PTY LTD 2 RIVER RETREAT KEW VIC	4,774,173	1.16
15	WICKHAM HOLDINGS SA MEIERHOFSTRASSE 5 FL-9490 VADUZ FURSTENTUM LIECHTENSTEIN	4,333,333	1.05
16	MR JOHN THOMAS ROY 17 BROOME STREET COTTESLOE WA	3,932,728	0.96
17	MR EDWARD PATRICK JACOBSON 43 VIKING ROAD DALKEITH WA	3,749,410	0.91
18	MR DAVID ADDISON BROWN 148 KINGSWAY PETTS WOOD KENT BR51PU UNITED KINGDOM	3,193,736	0.78
19	OASIS INTL GENERAL TRADING LLC PO BOX 11950 DUBAI UNITED ARAB EMIRATES	3,179,359	0.77
20	TOLTEC HOLDINGS PTY LTD 47 CLOTILDE STREET MT LAWLEY WA	3,088,888	0.75
Total		135,136,692	32.83

# 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 2006

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	201	1,109
1.2 Payments for		
(a) exploration and evaluation	-	(107)
(b) development	(2,412)	(2,419)
(c) production	(246)	(1,000)
(d) administration	(202)	(945)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	16	45
1.5 Interest and other costs of finance paid	-	(2)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(2,643)</b>	<b>(3,319)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(100)	(127)
1.9 Proceeds from sale of:		
(a) prospects	500	500
(b) equity investments	31	91
(c) other fixed assets	-	8
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>431</b>	<b>472</b>
1.13 Total operating and investing cash flows (carried forward)	(2,212)	(2,847)

**Notes: Line 1.2(b) includes A\$282,000 for a recoverable customs bond**  
**Line 1.2(c) includes expenditure on production related inventories**

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(2,212)	(2,847)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	112	4,398
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>112</b>	<b>4,398</b>
	<b>Net increase (decrease) in cash held</b>	<b>(2,100)</b>	<b>1,551</b>
1.20	Cash at beginning of quarter/year to date	3,963	301
1.21	Exchange rate adjustments to item 1.20	(4)	7
1.22	<b>Cash at end of quarter</b>	<b>1,859</b>	<b>1,859</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	56
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

**Notes: Line 1.22 includes the company's share of cash held by the SW1A Joint venture in Thailand**



### 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	152
4.2 Development	1,400
<b>Total</b>	<b>1,552</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	478	1,903
5.2 Deposits at call	1,381	2,060
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,859</b>	<b>3,963</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.*

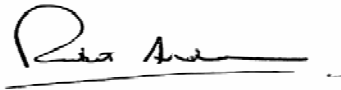
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	411,787,134	411,787,134		
7.4 Changes during quarter (a) Increases through issues	41,400,000 4,500,000  715,000	41,400,000 4,500,000  715,000	4.5 cents Shares issued to directors by way of remuneration 5.1 cents (an allotment under the Company's Employee Share Plan)	4.5 cents Fully paid  5.1 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>	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	11,000,000 11,000,000		7 cents 10 cents	31 March 2008 31 March 2009
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:

Robert A Anderson  
COMPANY SECRETARY

Date: 31 July 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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