



CARNARVON
PETROLEUM
LIMITED
ABN 60 002 688 851

30 April 2007

Company Announcements Office
Australian Stock Exchange Limited

Via ASX Online

Dear Sirs,

QUARTERLY REPORT FOR MARCH 2007

Please find attached Carnarvon Petroleum Limited's Mining Exploration Entity Quarterly Report for the quarter ended 31 March 2007 incorporating:

- Report on activities for the March 2007 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 MARCH 2007 QUARTER

SUMMARY

Key events during the quarter were:

- The Phetchabun Basin Joint Venture (“Joint Venture”) agreed an expanded Phase 2 work programme for 2007 which will comprise an accelerated development, appraisal and exploration programme with the drilling of up to 37 wells. It will also include the acquisition of 100 sq kms of 3D seismic, anticipated to be recorded in the second quarter of 2007. The anticipated drill programme will comprise up to 4 wells per month, comprising 2 rigs contracted plus a workover rig.
- To fund the early stages of the Phase 2 programme the Company completed a two tranche placement of 160 million shares at 7.7 cents per share to raise \$12.32 million, principally to international and domestic institutional clients of Hartleys Limited. The first tranche of 70 million shares was issued by 11 April, with the second tranche subject to shareholder approval on 30 April.
- The last two of the Phase 1 wells, POE-1 and POE-9, were brought onto extended production testing during the quarter. The POE-9 discovery well, which commenced production of oil, is a discovery which represents success of a new play concept in fractured volcanic reservoir with the potential for significant flow rates of oil. POE-9 is currently producing at 314 bopd.
- At quarter end the Joint Venture was producing at a gross rate of 679 bopd. Work is continuing on improving production from the Phase 1 wells and re-working of other previously drilled wells. Currently the Joint Venture is producing at a gross rate of 737 bopd.
- Interpretation of the 245 sq km 3D seismic survey recorded in 2006 progressed with the positioning of the Phase 2 programme, from which the first well commenced drilling in late March. 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 \$5.7 million, compared to \$1.7 million at the end of the previous quarter. The 31 March cash balance includes \$5.3 million of proceeds from tranche 1 shares, as described above, which were not issued until April.

EXPLORATION, DEVELOPMENT AND OPERATIONAL ACTIVITIES

SW1A Concession (Phetchabun Basin Joint Venture) – Thailand (Carnarvon Petroleum 40% / Pan Orient Energy 60%)

Exploration and Development

The last two of the Phase 1 wells, POE-1 and POE-9, were brought onto extended production testing during the quarter. The POE-9 discovery well, which commenced production of oil, is a discovery which represents success of a new play concept in fractured volcanic reservoir with the potential for significant flow rates of oil. POE-9 is currently producing at 314 bopd.

The POE-9 well was drilled in the southern fault block of a large 12 square kilometre faulted structural closure. 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 10th January 2007.

The POE-9 well is currently producing at 314 bopd with negligible water cut of 0.05%. Production rates are at times constrained slightly due to wax formation within the “slim hole” casing and tubing design. These are speedily remedied by “hot washing” the tubing. A number of alternative operational changes are being considered to limit wax build up and significantly increase oil production rates, and these will be considered for implementation on future wells.

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

The results of the POE-9 well have been applied to the seismic data to facilitate updating the structural mapping.

Overall, in the 2006 drilling programme (“Phase 1”), 8 wells were drilled with 7 successes. This is an outstanding result and is a direct result of the benefits of recording the new 3D seismic survey. The POE-9 discovery further demonstrates the large potential to be unlocked in our two very large exploration permits L44/43 and L33/43 in Thailand.

Phase 2 Drilling

Following the success of the POE-9 well at the end of the 8 well Phase 1 drilling programme, the Joint Venture has planned an accelerated well programme for 2007 and into 2008 of up to 37 wells,. The first well in this programme, NS-3 commenced drilling on 31 March and is currently being flow tested to evaluate the oil potential of the well.

This programme comprises a combination of development, appraisal and exploration wells which has the objective of extensively developing the oil potential of Carnarvon's two exploration and production licences in Thailand and substantially increasing oil production.

Planning is also underway to record a 100 sq km 3D seismic survey in the next quarter, to enable optimum placement of those planned wells outside existing 3D seismic coverage.

POE-9 (Na Sanun East Oil Field) Appraisal / Development Programme

A firm programme of 5 wells will appraise and, if successful, develop the four volcanic reservoir zones identified in POE-9 of which only one has been flow tested.

The first appraisal well L44-G is anticipated to commence drilling in May and will comprise a step-out 7.2 kilometres north of the POE-9 discovery well. This is a significant step-out and will appraise the most northern extension of the 13.3 sq km POE-9 structural closure. L44-H, planned for June, will be located 1.7 kms north of POE-9. Both L44-G and L44-H will be located on high culminations on the greater Na Sanun East structural closure.

Following the drilling of these wells, the Joint Venture will apply for a production licence over the POE-9 structure. The application process is anticipated to take up to six months for approval after which time full scale development of the field, anticipated to commence in October 2007, will be carried out using the two contracted rigs.

Meanwhile, 3 development wells are planned to be directionally drilled into the area north and south of the POE-9 well, commencing April, to be drilled from the existing Na Sanun production license to the west of POE-9.

An extensive coring programme is planned over all four volcanic zones. Core data will assist in evaluating the reservoir properties and enable reserves to be better quantified.

Na Sanun Appraisal Programme

Three wells are planned to evaluate the potential of the previously drilled Na Sanun structure to the west of and separate to the POE-9 (Na Sanun East) oil discovery. These appraisal wells follow up drilling in 1994 of Na Sanun-1 which flowed oil at rates of approximately 1,400 bopd from an uppermost volcanic fractured reservoir for a period of 1.5 days before quickly watering out.

Following the oil discovery at POE-9, a review of the Na Sanun-1 well data was initiated by the operator Pan Orient. This indicated that no cement was set in the well bore between 545 and 1,200 metres, straddling the production zone, with a poor cement job elsewhere. It is interpreted that the sudden water breakthrough at Na Sanun-1 could be the result of a lack of isolation of the

producing reservoir over a 655 metre interval of “free pipe”, and that the results, whereby there was early breakthrough of produced water, were not a valid test of the producing oil zone.

To confirm this interpretation the first appraisal well NS-3, which is located 1.4 kms south of Na Sanun-1 commenced drilling on 31 March and reached total depth on 23 April.

The Na Sanun discovery is situated in a separate down faulted structure to the POE-9 oil discovery well (now called the Na Sanun East Oil Field) drilled at the end of the Phase 1 drilling programme of 8 wells. POE-9 continues to perform well on an extended production test confirming the good reservoir potential of these fractured volcanics.

If NS-3 is successful the well will be immediately put on production.

A second contracted drilling rig, Aztec Rig 14 is anticipated to commence drilling in late April commencing with the appraisal and initial development of the Na Sanun East Oil Field surrounding the POE-9 discovery well. The two rigs will be drilling continuously for the remainder of 2007 and into 2008.

L44/43 Exploration Programme

In addition to the appraisal programme outlined for Na Sanun and POE-9 (Na Sanun East), another three wells will be drilled in the region of the POE-9 discovery structure.

The L44-W well will target the 13 square kilometre Bo Rang structural closure 8.5 kms north of POE-9. Bo Rang-1, previously drilled in 1990 near the crest of the structure, flow tested 5.5 MMcf/d of gas and encountered lost circulation (indicating porous intervals) in another three deeper volcanic zones. The L44-W well will target the oil potential of these deeper zones.

Planned wells L44-R and L44-V will target separate nearby structural closures of 4 sq kms and 6.5 sq kms in area.

An additional 8 exploration wells will target prospects throughout the L44 concession. This will include the appraisal of the Si Thep oilfield, which has produced over 50,000 barrels of oil from one well and seen no drilling activity since 1990.

One well will also appraise the POE-6 (drilled in Phase 1) new oil discovery in a separate structural block adjacent and to the west of the Wichian Buri oil Field.

L33/43 Exploration Programme

The L33/43 permit is large, covering approximately 4,000 sq kms in area situated immediately north of the L44/43 permit. Exploration in this northern permit has been minimal with only one well drilled in 1990 on the southern margin. Seismic coverage is sparse with previous 2D seismic covering approximately 20% of the permit and restricted mostly to the extreme south.

Three wells are planned for drilling within this sparse seismic coverage targeting both volcanic and clastic reservoir prospects.

One additional well will be drilled as a wildcat located on a single seismic line in a new sub-basin located 30 kilometres north of the Joint Venture’s producing Wichian Buri sub-basin. The

well will provide important information on the prospectivity of proven, mature oil-prone source rocks in this new part of the basin.

Operations

Joint Venture results for the last three quarters are shown in the table below:

Operating Data	March 2007 quarter	December 2006 quarter	September 2006 quarter
Average sales per day	551 bopd	160 bopd	82 bopd
Total sales (100% basis)	49,590 bbls	14,705 bbls	7,562 bbls
Average sale price achieved	US\$45.62/bbl	US\$43.54/bbl	US\$50.8/bbl

Sales for the quarter increased as a consequence of the Phase 1 drilling success and the improved performance from the older wells resulting from the workover programme.

Carnarvon's share of the planned June 2007 quarter expenditure is currently estimated at A\$6.8 million, primarily consisting of Phase 2 drilling and the 100km² 3D seismic survey to be shot over the Bo Rang gas field and Na Sanun East 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, 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 program comprises a company commitment of \$152,000. This will be applied to the acquisition, processing and interpretation of the new seismic data.

CORPORATE ACTIVITIES

Capital raising

On 21 March Carnarvon announced it had reached agreement with Hartleys Limited to place 160 million ordinary shares in Carnarvon at an issue price of 7.7 cents per share, to raise \$12.32 million before costs, principally to international and domestic institutional clients of Hartleys Limited.

The Placement was made in 2 tranches, with 70 million shares issued pursuant to the Company's 15% placement capacity under ASX Listing Rule 7.1 and the balance of 90 million shares issued subject to shareholder approval at a general meeting of shareholders to be held on 30 April 2007.

Following this placement Carnarvon will be fully funded to pursue its expanded phase 2 programme within the Phetchabun Basin, Thailand, with cashflow from early wells expected to fund latter stages of the drill programme.

Cash balances

The consolidated cash balance at the end of the quarter was \$5.1 million, compared to \$1.7 million at the end of the previous quarter. The 31 March cash balance includes \$5.3 million of proceeds from tranche 1 shares, as described above, which were not issued until April.

An updated top 20 shareholders list (as at 27 April) 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	19,955,287	3.62
2	NATIONAL NOMINEES LIMITED GPO BOX 1406 MELBOURNE VIC	13,661,186	2.48
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED GPO BOX 5302 SYDNEY NSW	12,170,000	2.21
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3 GPO BOX 5302 SYDNEY NSW	11,836,474	2.15
5	HAMILTON CAPITAL PARTNERS LTD C/- ALLIANCE INVESTMENTS SAM LE PANORAMA AB 57 RUE GRIMALDI MC98000 MONACO	11,168,596	2.02
6	ARNE INVESTMENTS PTY LTD LEVEL 2 88 COLLINS STREET MELBOURNE VIC	8,916,906	1.62
7	GERALDTON AGRICULTURAL SERVICES PTY LTD PO BOX 6 GERALDTON WA	8,000,000	1.45
8	MR EDWARD PATRICK JACOBSON 43 VIKING ROAD DALKEITH WA	8,000,000	1.45
9	MR PETER JAMES LEONHARDT 24 AGETT ROAD CLAREMONT WA	8,000,000	1.45
10	ARNE INVESTMENTS PTY LTD LEVEL 2 88 COLLINS STREET MELBOURNE VIC	6,710,493	1.22
11	MR JOHN THOMAS ROY 17 BROOME STREET COTTESLOE WA	5,982,218	1.08
12	PENDOMER INVESTMENTS PTY LTD <LAW SETTLEMENTS FUND A/C> PO BOX 424 WEST PERTH WA	5,676,293	1.03
13	CITICORP NOMINEES PTY LIMITED GPO BOX 764G MELBOURNE VIC	5,649,438	1.02
14	MACQUARIE BANK LIMITED C/- METALS & ENERGY CAPITAL DIVISION LEVEL 1 NO 1 MARTIN PLACE SYDNEY NSW	5,462,988	0.99
15	DALKEITH RESOURCES PTY LTD 19 VICTORIA AVENUE CANTERBURY VIC	5,374,921	0.97
16	CITICORP NOMINEES PTY LTD <CWEALTH BANK OFF SUPER A/C> GPO BOX 764G MELBOURNE VIC	4,848,402	0.88
17	MR LAWRENCE ADDISON BROWN + MRS JILL BROWN 4 TIRRIL WAY MARTON CLEVELAND TS7 8PN UNITED KINGDOM	4,816,675	0.87
18	RBC DEXIA INVESTOR SERVICE AUSTRALIA NOMINEES PTY LTD <BKCUST A/C> GPO BOX 5430 SYDNEY NSW	4,750,578	0.86
19	MR GREGORY JOHN MUNYARD + MRS MARIA ANN MUNYARD + MISS CARMEN HELENE MUNYARD <RIVIERA SUPER FUND A/C> 9 GIBNEY VISTA WEST LEEDERVILLE WA	4,619,721	0.84

Top 20 Holders of ORDINARY FULLY PAID SHARES

*G1 / ORDINARY FULLY PAID SHARES

Rank	Name	Units	% of Issued Capital
20	WICKHAM HOLDINGS SA MEIERHOFSTRASSE 5 FL-9490 VADUZ FURSTENTUM LIECHTENSTEIN	4,333,333	0.79
Total		159,933,509	29.00

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 MARCH 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	813	1,288
1.2 Payments for		
(a) exploration and evaluation	(8)	(45)
(b) development	(1,123)	(3,431)
(c) production	(407)	(989)
(d) administration	(171)	(719)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	26	102
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(319)	(641)
Net Operating Cash Flows	(1,189)	(4,436)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(102)	(365)
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
Net investing cash flows	(102)	(305)
1.13 Total operating and investing cash flows (carried forward)	(1,291)	(4,741)

Line1.7 includes advances to contractors and deposits paid within the Phetchabun Basin Joint Venture in Thailand

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,291)	(4,741)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	5,275	8,589
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	5,275	8,589
	Net increase (decrease) in cash held	3,984	3,848
1.20	Cash at beginning of quarter/year to date	1,734	1,898
1.21	Exchange rate adjustments to item 1.20	(7)	(35)
1.22	Cash at end of quarter	5,711	5,711

Line 1.14 includes part proceeds from the 70 million share Tranche 1 placement. Shares were not issued in respect of this placement until April.

The remaining gross proceeds of \$7,045,000 from the 160 million share Tranche 1 and Tranche 2 placements were banked in April. The Tranche 2 placement is subject to shareholder approval on 30 April 2007.

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	127
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

+ 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	4,000
4.2 Development	2,800
Total	6,800

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	28	92
5.2 Deposits at call	5,683	1,642
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	5,711	1,734

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.

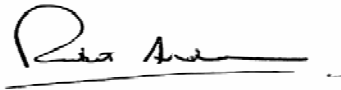
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +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: 30 April 2007

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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