

18 December 2009

Company Announcements Office
ASX Limited

Via ASX Online

Dear Sirs,

Carnarvon Operations Update - Offshore Western Australia

Carnarvon Petroleum Limited (“Carnarvon”) is pleased to confirm that the Australian Government has approved the award and transfer of interests in WA-435-P, WA-436-P, WA-437-P and WA-438-P (“the Permits”) as outlined in the Company’s last update on 5 August 2009. Following the award and permit interest transfers, Carnarvon holds a 50% interest in each Permit with the balance being held by FINDER Exploration (“Finder”).

Carnarvon is also pleased to announce that, since submitting the bids for the gazettal blocks the joint venture has undertaken further technical work and now intends to accelerate the planned work programme such that the Year 1 programme is expected to comprise:-

1. The acquisition and processing of ~1,100 km² of new 3D seismic data (in Permits WA-435-P and WA-437-P);
2. The acquisition and processing of ~410 km of new 2D seismic data (in all Permits);
3. The acquisition and processing of ~15,100 km² of aeromagnetic data (focussing on Permits WA-436-P and WA-438-P);
4. Reprocessing a total of ~5,253 km of 2D seismic data (in all Permits); and
5. Undertaking further geological and geophysical studies based on the existing and newly acquired datasets.

The above work is expected to be conducted in calendar 2010.

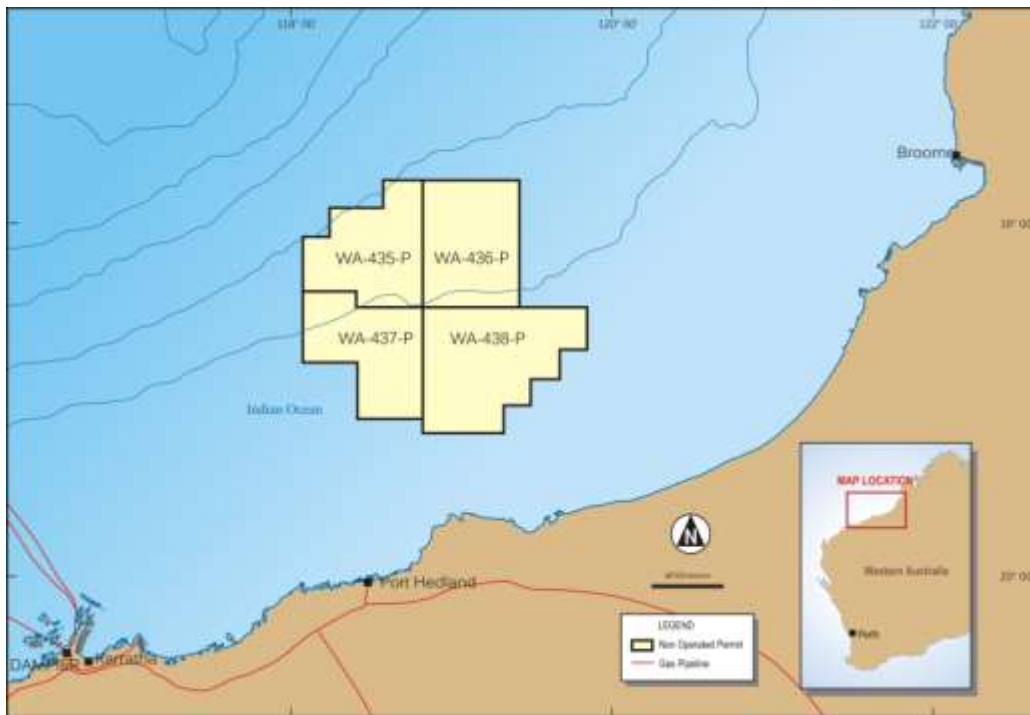
Yours faithfully,
Carnarvon Petroleum Limited



Ted Jacobson
Chief Executive Officer

Additional background information

The four Permits are situated in the north-western part of the Bedout Sub-basin within the greater Roebuck Basin, offshore Western Australia. The blocks lie between the prolific Carnarvon Basin hydrocarbon province to the southwest and the Browse Basin to the northeast. The town of Port Hedland lies approximately 150 km to the south of the Permits and Broome lies 250 km to the northeast. Water depths range from 35 to 265 metres and the Permits cover an area of more than 21,000 km² (268 graticular blocks).



Carnarvon Petroleum's new permits, offshore Western Australia.

Six wells have been drilled in the Permits to date. Two of those wells, Phoenix-1 and Phoenix-2, drilled on the large Phoenix structure in WA-435-P both intersected extensive gas columns within lower-porosity, mid-Triassic reservoirs. In particular, Phoenix-1 recorded 110 metres of net gas-bearing section; however, further work is required to determine whether the gas discovery at Phoenix-1 could flow at commercial rates. A larger, untested structure in WA-435-P lies directly on trend with the Phoenix structure, 5-15 km to the southwest. Further to the southeast in WA-437-P lies yet another large, untested structure. Regional geology suggests that reservoir quality improves southward toward these prospects, but this model will need to be confirmed by further technical work and drilling. These Triassic structures have significant potential of the order of several Tcf's of recoverable gas, if exploration and appraisal drilling are successful.

Other viable plays are recognised in these blocks including possible oil exploration potential at the shallower Cretaceous-aged levels. Carnarvon and Finder intend to carry out numerous studies to evaluate this potential.

Permit Holders

WA-435-P

Finder Exploration (Operator) 50%

Carnarvon Petroleum 50%

WA-436-P

Finder Exploration (Operator) 50%

Carnarvon Petroleum 50%

WA-437-P

Finder Exploration (Operator) 50%

Carnarvon Petroleum 50%

WA-438-P

Finder Exploration (Operator) 50%

Carnarvon Petroleum 50%

About Finder Exploration Pty Ltd

Finder Exploration Pty Ltd is a private oil and gas exploration company with significant interests in 10 exploration permits offshore north-western Australia (9 of which are operated) and 5 in the Walton Basin (offshore Jamaica) covering a total of 57,000 km². Further details of the company and our assets are available at www.finderexp.com.