

07 January 2009

Company Announcements Office
ASX Limited

Via ASX Online

Dear Sirs,

THAILAND OPERATIONS UPDATE

NSE-E2 appraisal well (CVN 40% working interest and non-operator)

The NSE-E2 appraisal well was targeting potential volcanic reservoirs at a location approximately 365 metres south east of the NSE-E1 discovery well. The well failed to encounter the main volcanic objective due to the reservoir being faulted out at this location. However, the well encountered a deeper, oil stained volcanic reservoir approximately 25 metres thick. Testing of this deeper zone is anticipated to commence shortly.

NSE-D2ST1 appraisal well (CVN 40% working interest and non-operator)

The original NSE-D2 appraisal well, located approximately 330 metres north of the NSE-D1 well, encountered the top of the main volcanic reservoir at a depth of 754 metres true vertical depth (TVD). Approximately 34 metres of highly fractured volcanic reservoir was drilled with mud losses of approximately 1,200 barrels. The well was put on test, flowing mainly gas with some oil, suggesting close proximity to an interpreted gas/oil contact. A first side track (NSE-D2ST1) encountered the main volcanic reservoir approximately 30 metres structurally lower than in the original well bore and was therefore believed to be below the gas/oil contact. Severe drilling fluid losses were encountered indicating good fractured reservoir to be present. However, subsequent testing confirmed that the volcanic reservoir encountered at NSE-D2ST1 is also above the gas/oil contact. A second sidetrack, NSE-D2ST2, is now about to commence drilling in the next few days, after the rig has been moved on location from the NSE-E2 well pad, once again targeting a deeper oil leg in the reservoir below the gas/oil contact.

L44-V appraisal well (CVN 40% working interest and non-operator)

The L44-V appraisal well was drilled from a surface location approximately 1.3 kilometres south west of the Bo Rang-1 gas discovery. L44-V is targeting a potential down dip oil leg within a volcanic reservoir that tested 5.5MMcfg/d at the structurally higher Bo Rang-1 well, which was drilled by an earlier operator of the L44 concession area. The main volcanic objective was encountered at a true vertical depth (TVD) of approximately 720 metres and penetrated an approximately 55 metre thick volcanic section that had oil shows and very high mud gas spikes of up to 33%, exhibiting good hydrocarbon shows of both heavy (C5) and light (C1) hydrocarbons. A shallower secondary volcanic objective was also encountered at a depth of approximately 500 metres TVD with mud losses while drilling of approximately 100 bbls in combination with a minor gas kick. Testing of the lower and possibly the upper volcanic targets is anticipated to commence shortly. Upon completion, results will be announced.

L44-CD1 appraisal well (CVN 40% working interest and non-operator)

L44-CD1, located approximately 1.15 kms north of the POE-6 fault compartment sandstone discovery well will attempt to establish oil production from a volcanic reservoir that underlies the shallower oil producing sandstone reservoirs in the Wichian Buri and POE-6 oilfield areas. These areas are approximately 15 kms northwest of existing volcanic reservoir production at Na Sanun East. The well will be targeting the main volcanic reservoir at a subsurface location 370 metres due west and approximately 200 metres up dip of the previously drilled L44-C vertical well that encountered oil and gas shows in the main volcanic target, but tested water. Drilling is anticipated to commence shortly, once the drilling rig has completed moving from the L44-V location.

Thailand Production

Thailand production exited 2008 at 13,446 bopd gross (5,378 bopd net to Carnarvon) which was below the year end 2008 exit target of 15,000 bopd gross (6,000 bopd net). The target was not met due mainly to NSE-D2ST1 once again intersecting a gas cap, and a year end focus on wells targeting reserves additions rather than production. Year end drilling focused around potential new reserves drilling at NSE-E2 and Bo Rang (L44-V) due in part to a reduced oil price. At year end two wells awaited testing (NSE-E2 and L44-V), that in the success case would result in incremental production. The year end exit production rate of 5,378 bopd, net to Carnarvon, was an increase of 2,438 bopd, or 83%, over the 2007 exit rate of 2,940 bopd. The Company continues to focus on production growth in combination with establishing new reserves that would enable production to be maintained and grow through 2009.

Yours faithfully
Carnarvon Petroleum Limited



RA Anderson
Company Secretary

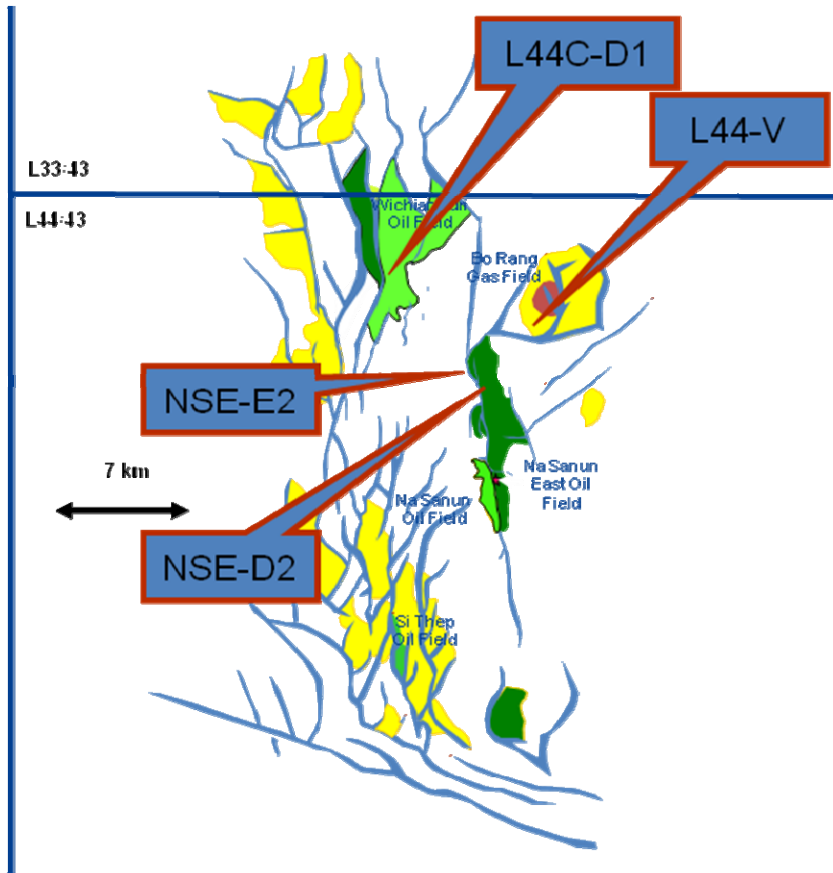


Figure 1: Thailand Concessions and Na Sanun East Oil Field