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Company Announcements Office
ASX Limited

Via ASX Online

Dear Sirs

THAILAND OPERATIONS AND DRILLING UPDATE

Highlights

- Full field development of Na Sanun East ("NSE") to commence
  - NSE-A1 (a crestal vertical appraisal well) in the Central NSE Compartment is planned to be spudding within a week
  - Further deviated / horizontal development wells will be drilled from the same location immediately thereafter
  - Infrastructure upgraded for a capacity of 15,000 bopd

- Further success in NSE Appraisal Well Testing
  - L44H-D2 flows oil at 600 bopd from main producing zone
  - NS5-D1STH flows oil at up to 140 bopd while still cleaning up
  - Current gross production of around 7,900 bopd (3,160 bopd net Carnarvon)

- Exploration outside of L44/43 concession ongoing
  - L33-3 encountered several lost circulation zones – will be completed to test

- Appraisal within SW1A concession commenced
  - NS9-H1 (Na Sanun appraisal well) drilling ahead at 433 metres MD

L44H-D2 Exploration/Appraisal Well Testing (40% WI)

The main producing volcanic zone between 840 and 860 metres MD has been flow tested resulting in oil production at a restricted rate of approximately 600 bopd. This test was performed through casing perforations after testing several deeper volcanic zones, whereas the other NSE wells are produced optimally as open hole wells.

The L44H-D2 deviated appraisal well penetrated five additional deeper and never before tested volcanic intervals below the main volcanic zone. Testing has now been completed on the four most prospective deeper volcanic zones resulting in the failure to yield commercial hydrocarbons.

NS5-D1ST Horizontal Development Well (40% WI)

The NS5-D1ST horizontal development well, located in the southern most, down dip portion of the NSE Central fault compartment had reached a total measured depth of 1,406 metres (872 metres TVD) within the target volcanic reservoir zone. Testing has now been underway for approximately 4 days with the well on low pump setting and still in clean up stage, after the loss of 7,200 barrels of mainly fresh water pumped into the formation during drilling operations. Oil rates have been variable between 85-140 bopd with 60 to 142 barrels of fresh water.

NS5-D1ST is the last of two wells (the other being NS3-D1ST announced on May 27) to be drilled on the structurally low flanks of the Na Sanun East oil field. NS3-D1ST and NS5-D1ST were the only accessible locations on NSE prior to the granting of recently received environmental approval for the drilling of an additional 19 development and appraisal wells within the area of the NSE field. Drilling of these new locations is about to commence, as detailed later in this release.

L33-3 Exploration Well (40% WI)

The L33-3 exploration well, located on concession L33, was drilled to a total true vertical depth of approximately 1,084 metres encountering a potential volcanic reservoir between 960 and 1,084 metres. Lost circulation was encountered at 960, 1,021, 1,035, 1,046, 1,060, 1,064 and 1,082 metres at rates between 4.6 and 120 barrels per hour. Similar to successful POE-9, NS6-D1A and L44-R wells, no oil shows were encountered while drilling the potential reservoir section.

L33-3 is a high risk stratigraphic test well drilled on the basis of one 2D seismic line within the untested Khon Khwang graben, located 33 kilometres north of the nearest proven production at Wichian Buri. The objective of the well is to evaluate the source rock and reservoir potential within the Khon Khwang sub basin. Validation of the source rock presence and maturity would approximately double the region of hydrocarbon potential within concessions L33 and L44 and result in an extensive 2D seismic program over this large area in July 2008.

Testing is anticipated to be completed within 10 to 14 days.

NS9-H1 Horizontal Appraisal Well (40% WI)

NS9-H1, located within the Na Sanun oil field (due west and distinctly separate from NSE) and within the SW1A contract area, is currently drilling ahead at a true vertical depth of 433 metres towards the horizontal kick off point above the main volcanic reservoir objective predicted at approximately 935 metres TVD. The well is planned to intersect the target at a point approximately 250 metres northeast of the NS-1 well and 20 to 25 metres structural higher. Drilling is anticipated to be completed within 14 days.

NSE-A1 Appraisal Well (40% WI)

The NSE-A1 appraisal well will start drilling in approximately 7 days, immediately after casing has been set on L33-3 and the rig moved on to location. The well is located at the crest of the NSE Central fault compartment, offsetting the L44H-D1 well which is currently producing at 3,300 bopd. The drill pad consists of 4 drilling cellars with the first well planned to be drilled vertically and to core the upper section of the approximately 180 metre thick main volcanic reservoir. An additional three deviated/horizontal wells will be drilled in succession immediately thereafter.

Summary

With the imminent drilling of the NSE-A1 well, full scale development of the NSE field will commence, with up to 19 wells that are optimally located in the NSE Central fault compartment targeting 2P and 3P reserves, and the Northern fault compartment targeting prospective resources. A delay of 6 months while waiting for environmental approval of the 19 NSE development well locations resulted in the drilling of less than ideal down flank wells (NS3-D1ST and NS5-D1ST) in an attempt to build production and offset the decline in field production from peak levels. The same period also resulted in the building of tanker and refinery offloading capacity up to the approximately 15,000 bopd level, which will ensure

deliverability as near term production grows over the coming months.

With the initiation of drilling from the 4 well NSE-A pad, production is anticipated to increase significantly over the coming two to three month period. An additional three multi-well pads are under construction over the northern undeveloped portion of the NSE central fault compartment. In addition, land purchase is underway for a number of drilling locations in the NSE north fault compartment (a large prospective resource region) and the NSE central fault compartment (a large 3P reserve region), with the objective of increasing the Company's proved and probable reserves.

Field production to date has been well within management expectations, given the six month delay in location approvals. Current production capacity is approximately 7,900 bopd gross (Carnarvon 40% WI). Of this production, only 3 wells have more than a 1% water cut; the 2 structurally lowest wells (NS3-D1ST and NS5-D1ST) and L44H-D2.

NS3-ST1 was produced as high as 1,800 bopd for three days with nominal water before showing immediate water cuts. It is highly likely that if the well had been choked back to rates of less than 1,000 bopd it would still, and for some time in the future, continue to produce with low water cuts. Analysis indicates water was drawn up from the underlying, nearby water leg as a result of producing at far too high of a rate given the relative permeability between NSE crude and water, and the wells low structural position. Similarly, NS5-D1ST was drilled down flank on the NSE central fault compartment and is still in the clean up stage after losing 7,200 bbls of fresh water into the formation due to lost circulation while drilling. L44H-D2, in addition to the approximately 600 barrels of oil production a day, is currently producing approximately 380 barrels of water per day as a result of a very poor cement job over the 180 metre thick, most intensely fractured volcanic section penetrated in any well to date. Within this volcanic section, approximately 80 metres of oil bearing reservoir was penetrated before drilling below the field oil water contact to target the deeper volcanic zones. A remedial cement job was not possible due to two casing strings present over the producing reservoir section, as the well was programmed to target testing of deeper volcanic zones. A nearby well up structure is producing at 0% water and a well down structure at less than 1% water.

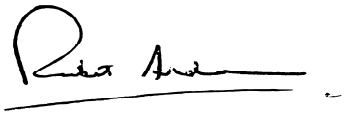
All other producing NSE wells, other than the three described above, produce with water cuts ranging from 0.01% and 1.0%. These other wells account for approximately 89% of the NSE oil production.

Of particular note, L44H-D1, the highest flow rate well ever drilled onshore Thailand and located off the crest of the NSE central fault compartment, was put on production at a rate of approximately 3,500 bopd six months ago and continues to produce at approximately 3,300 bopd (representing a decline rate of approximately 6%) with a water cut of 0.01% throughout its history. Cumulative production for this well alone is over 600,000 barrels of oil.

Permit Holders

Pan Orient Energy (Operator)	60%
Carnarvon Petroleum	**40%**

Yours faithfully
Carnarvon Petroleum Limited



RA Anderson
Company Secretary