

21 February 2008

Company Announcements Office  
ASX Limited

Via ASX Online  
Dear Sirs

## OPERATIONS UPDATE THAILAND

### **L44-R Exploration Well (Carnarvon 40%)**

The L44-R exploration well, which was targeting multiple potential volcanic reservoirs within an approximately 7 square km structural closure located 10.5 kms south of the producing NSE oil field, is currently being logged after reaching a total depth of approximately 1,277 metres. Three potential volcanic reservoirs of approximately 27 metres, 45 metres and 207 metres in thickness were encountered between 665m to 1,277m. Drilling mud losses were observed in the deepest zone (1,070-1,277 metres) at 1,149m (120 bbls/hr), 1,160m (65 bbls/hr), 1,197m (21 bbls/hr), 1,204m (69 bbls/hr) and 1,219m (32 bbls/hr). Total losses while drilling were approximately 905 barrels of drilling fluid. Elevated mud gas readings approximately 1% or greater were observed at 720m, 731m, 789m and while tripping at 968m. Due to the complex nature of these unconventional volcanic reservoirs, testing will be required to determine the hydrocarbon potential of the reservoir zones.

Testing of up to three volcanic zones is anticipated to be completed within approximately 21 days at which time the test results will be announced.

### **NS1-D1 Appraisal Well (Carnarvon 40%)**

Upon the setting of casing in the L44-R exploration well, drilling will commence on the deviated NS1-D1 appraisal well, targeting the main NSE volcanic reservoir at a location mid way between the previously drilled POE-9 and NS2-D1 appraisal wells. The purpose of this well is to build production capacity from the main volcanic reservoir at NSE.

### **Forward Drilling Program**

The second drilling rig is anticipated to be back in service at the end of February after a delay related to the servicing and late arrival of new mud pumps from China. It is anticipated this upgrade will significantly increase rig performance.

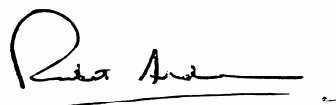
Several wells over the next eight weeks will be targeting the hydrocarbon potential of a number of zones below the currently producing main zone at NSE. None of these deeper zones have been tested to date.

While the 27.8 square km NSE production license has been awarded by the Government of Thailand, the Company still awaits environmental approval for approximately 27 development drilling locations at both the Wichian Buri and Na Sanun East oil fields. This approval is anticipated within the next 6 weeks, at which time the requirement for a third rig will be reviewed. Meanwhile the joint venture has numerous other drillable locations to proceed with while waiting for this approval.

### **Production Update**

Further to the February 4, 2008, news release (which announced gross production of 8,800 bopd, 3,500 bopd net to Carnarvon), tanker capacity has grown as anticipated and gross production is currently approximately 9,500 bopd (3,600 bopd net to Carnarvon) which is currently being sold to a refinery located in Bangkok. Some early stage issues related to unloading the large number of tankers (approximately 51) had resulted in deliveries on some days falling below 9,000 bopd. Maximum deliveries have been as high as 10,300 bopd gross.

Yours faithfully  
Carnarvon Petroleum Limited

A handwritten signature in black ink, appearing to read "RA Anderson", is written over a horizontal line.

RA Anderson  
Company Secretary