

23 September 2008

Company Announcements Office
ASX Limited

Via ASX Online

Dear Sirs,

NSE-A2 AND NSE-B2 TEST AT 3,480 BOPD

NA SANUN EAST OIL FIELD DEVELOPMENT

Summary

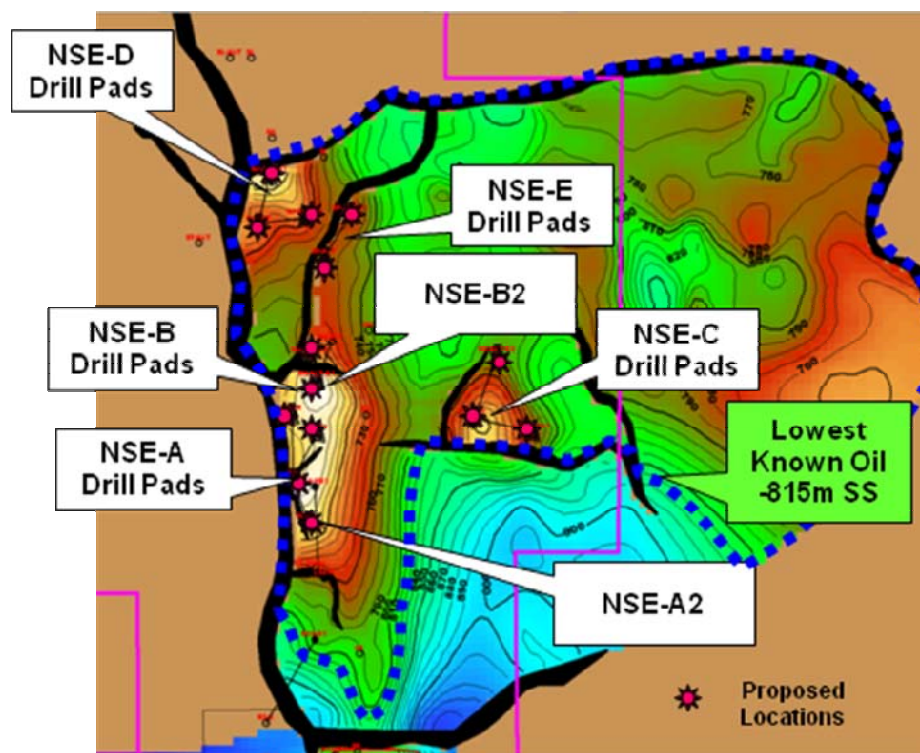
Drilling has been completed on the NSE-A2 and NSE-B2 development wells and both are on test and free flowing oil from the main volcanic reservoir within the Na Sanun East (“NSE”) central fault compartment at a combined stabilised rate of approximately 3,480 gross barrels of oil per day (1,392 bopd net to Carnarvon). This is a significant result and the joint venture is now getting close to achieving its goal of 15,000 bopd gross average daily production from the Phetchabun Basin fields by the end of this calendar year.

The two development wells, NSE-A4 and NSE-B1, both located in the highest crestal position of the NSE central fault compartment, will be flow tested shortly and another five to eight wells will be drilled from the NSE-C, D and E drill pads immediately after drilling has been completed on the NSE-A4 and NSE-B1 wells.

In addition to the ongoing NSE development drilling, the operator anticipates the drilling of approximately four appraisal wells into the large possible field extension to the north-east and north of the NSE structure mapped from seismic but where no wells have yet been drilled. Carnarvon estimates significant recoverable contingent oil resources of approximately 14 mmbbls (2C) net to Carnarvon may be present in this structural extension to the field. Successful appraisal drilling will be required to bring these oil resources estimates into reserves status.

The full field development of the NSE field commenced in the second quarter of 2008. Since then, four new development wells, NSE-A1,A2,A3 and B2, have now been successfully brought into production, including the two reported in this announcement, with a 100% success rate.

The Development Plan for the NSE field incorporates the drilling of between 20 to 25 wells through 2008 into mid 2010. The wells are being drilled from up to 6 well cluster locations, with each location being designed to accommodate up to 4 wells. Each cluster location will have oil treatment, storage and offloading capacity. Five locations A through to E have been completed with a sixth location optional depending on individual well performance. The development plan is designed for a plateau production of 15,000 bopd.



NSE-B2 development well (CVN 40%)

The NSE-B2 development well was drilled approximately 80 metres due west of the NSE-B drill pad encountering the top of the main volcanic reservoir at a depth of 782 metres true vertical depth (“TVD”). A total measured thickness of 75 metres of volcanic reservoir was penetrated with mud losses of 156 bbls and oil shows observed while drilling the reservoir section.

The well tested at a stabilised rate of 1,340 bopd with a less than 0.1% water cut. Flowing casing head and tubing head pressures were both 75 psig respectively on 32/64” choke settings. Upon completion of the drilling of B2, the rig was immediately skidded over onto the B1 location to deepen this well.

NSE-A2 development well (CVN 40%)

The NSE-A2 development well was drilled approximately 350 metres south of the NSE-A drill pad encountering the top of the main volcanic reservoir at a depth of 757 meters TVD. A total measured thickness of 114 metres of volcanic reservoir was penetrated with mud losses of 283 bbls and oil shows observed while drilling the reservoir section.

The well tested at a stabilised rate of 2,140 bopd with a less than 0.1% water cut. Flowing casing head and tubing head pressures were 115 and 78 psig respectively both on 36/64” choke settings. Upon completion of the drilling of A2, the rig was immediately skidded over onto the A4 location to deepen this well.

NSE-A4 appraisal well (CVN 40%)

The NSE-A4 appraisal well was initially drilled to a total measured depth of 923 metres (732.6 metres TVD), penetrating the top of the upper volcanic target at a depth of 720.5 metres TVD at a location approximately 350 metres northeast of the NSE-A1 surface location. A 35-metre-thick (measured thickness) upper volcanic section was penetrated and, as indicated by the loss of over 23,000 barrels of drilling fluid, was highly fractured. Testing resulted in the recovery of 100% gas from what is interpreted as a small (less than 1 square kilometer), and thin (approximately 10 metres) gas cap at this structurally high position. The well has since been deepened into the underlying oil leg of the main volcanic target and is currently drilling ahead within volcanics at a depth of 738 metres TVD and experiencing massive 500+ bbl/hr drilling fluid losses with no indication of gas (below an interpreted gas/oil contact). Testing will commence after completion of drilling.

NSE-B1 appraisal well (CVN 40%)

The NSE-B1 appraisal well encountered the top of the main volcanic target at a depth of 713 metres TVD, with drilling suspended after penetrating only 8 metres of what was originally interpreted to be the upper volcanic zone. The decision was made to conduct an isolated test of this very thin section prior to drilling ahead, which resulted in gas and oil being tested at unstabilised rates.

The well was deepened and is currently logging after reaching a total depth of approximately 822 metres measured depth at a subsurface location approximately 100 metres south of the NSE-B drilling pad and across a large fault, at the ultimate crest of the NSE central fault compartment. Approximately 87 metres of total volcanic section has been drilled and severe drilling fluid losses of over 240 bbls per hour were observed along with oil shows. Logging is anticipated to be completed in the next 48 hours, at which time extensive testing over the entire 87 metre volcanic interval will commence.

WICHIAN BURI OIL FIELD APPRAISAL & DEVELOPMENT

L44-C appraisal well (CVN 40%)

The L44-C vertical appraisal well was drilled to a depth of 1,210 metres through multizone objectives within the F and G sandstones, and a deeper 210-metre-thick fractured volcanic interval, at a location 1.15 kilometres north of the POE-6 oil discovery. Oil shows and elevated mud gas readings were observed at a number of stratigraphic levels whilst drilling and lost circulation was observed over two intervals within the WB-1 deep volcanic.

Minor indications of oil and gas along with large quantities of water were observed from the uppermost interval of the deep volcanic zone. Two flow tests were carried out over this fractured volcanic interval but recovered only large quantities of water. The main G sandstone target was tight with a small sample of oil recovered at surface. A small oil sample was also recovered from the shallower F sandstone, which had no previous reserves assigned to it. The results are encouraging but further work is required to evaluate the oil potential of the deeper volcanic zone and the F and G sandstone reservoirs within this POE-6 discovery fault compartment.

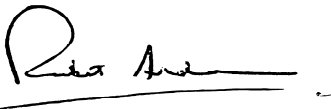
The well has been suspended. A side track from the existing well bore is being planned, before calendar year end, into the adjacent Wichian Buri fault compartment targeting both the F and G sandstone reservoirs in addition to a new volcanic target not yet tested by any well to date.

CEO COMMENT

Carnarvon's CEO Ted Jacobson commented:

"The testing results at A2 and B2 are excellent and demonstrate the high flow rates achievable from these development wells. Four wells have now been drilled as part of the development plan for NSE with a 100% success rate and two more wells are about to undergo flow testing. As we have previously reported our joint venture goal is to get gross production up to 15,000 bopd by December 2008 and we are optimistic that this will be achieved soon."

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