



CARNARVON
PETROLEUM
LIMITED
ABN 60 002 688 851

3 January 2007

Company Announcements Office
Australian Stock Exchange Limited

Via ASX Online

Dear Sirs,

OPERATIONS SUMMARY

Highlights

- The exploration well POE-9 has been logged and cased after encountering mud losses while drilling through two fractured volcanic objectives, indicating possible reservoir potential as prognosed. Testing for oil production of one of four of the intersected oil potential zones has commenced.
- The POE-5 well commingling of the “G”, “H” and “F” sand production has resulted in stabilised rates of 102 bopd.
- The workover well WB-N6 has been perforated over the “G” interval and is flowing oil at unstabilised rates of 77 to 115 bopd.
- The POE-1 development well has been perforated within the “F” sand interval and surface pumps are being installed prior to flow testing.

POE-9 Exploration Well

On December 31 2006, POE-9 was drilled and cased to a total depth of 1,275 meters. Four potential volcanic or igneous fractured reservoir intervals were encountered at depths of 794, 853, 1007, 1142 meters with thicknesses ranging from 15 to 50 meters. Severe drilling mud losses were encountered at 802 and 867 meters within the first two volcanic or igneous potential reservoir zones. Low to moderate losses occurred over the deepest two intervals. Total sub surface mud losses of approximately 900 to 1,000 barrels of drilling fluid occurred during the drilling of POE-9 and live oil was observed over the shale shakers at surface in addition to high mud gas readings over five separate intervals.

Flow testing is underway with 17 meters of perforations between 853 and 870 meters over the zone that correlates directly to the productive interval at nearby Na Sanun-1 well which flowed almost 1,400 bopd of oil over a short period before producing water.

Although log results are encouraging, flow testing is required to confirm the hydrocarbon potential of this type of complex reservoir. Initial results are expected in two to three weeks time.

POE-5 Production Testing

POE-5 is flowing oil at stabilised production rates of 102 bopd from the commingled “F”, “G” and “H” sands. This is a good result and indicates the potential for commingled production from all seven Phase 1 wells.

WB-N6 Workover Well

The well WB-N6 was drilled by a previous operator of the Wichian Buri field and prior to current operations was producing oil at a rate of approximately 10 to 15 bopd from the “F” sand interval. The joint venture recently perforated the deeper “G” sand interval and the well is currently producing at commingled unstablised rates of 77 to 115 bopd. With these excellent results, similar operations will be undertaken at other previously drilled wells WB-N4 and WB-N5 upon service availability of the workover rig towards the end of January 2007.

POE-1 Development Well

POE-1 has been perforated over the “F” sand interval and surface pumping equipment is currently being installed.

POE-2 Production Testing

POE-2 has been perforated in the “F” sand and is currently being flowed commingled with the earlier perforated “G” sand zone. Results indicate no contribution from the “F” sand possibly due to formation damage caused by the fresh water based mud used in the drilling of this first well of the 2006 Phase 1 drilling program. A number of remediation options are being considered to encourage oil flow.

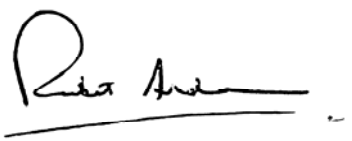
SUMMARY

The Wichian Buri joint venture is pleased with the Thailand testing results achieved to date from the Phase 1 drilling. Wichian Buri production is currently approximately 430 bopd, up 700% from a low of 60 bopd in Q2 2006 and a historical record for the field, climbing steadily as more reservoir zones are brought into production. Further production gains are expected in early Q1 2007, with additional production contributions from the testing or re-completion of additional wells.

Additional extensive well workover options are being planned including full development infill drilling of the Si Thep Oil field and a pilot water flood of the Wichian Buri Field. If successful these operations will have significant impact on the potential of future Wichian Buri production.

Yours faithfully,

Carnarvon Petroleum Limited

A handwritten signature in black ink, appearing to read "RA Anderson", is written over a horizontal line. The signature is enclosed in a thin red rectangular border.

RA Anderson
Company Secretary