



CARNARVON
PETROLEUM
LIMITED
ABN 60 002 688 851

5 December 2006

Company Announcements Office
Australian Stock Exchange Limited

Via ASX Online

Dear Sirs,

**DRILLING UPDATE
POE-1 RD**

Drilling operations commenced at the POE-1 RD well and are expected to take around 10 days. The high impact POE-9 exploration well, the last of the Phase 1 programme, is expected to spud immediately thereafter in mid-December 2006.

Meanwhile, testing operations are continuing on the previously drilled and successful Phase 1 wells.

Please find attached as Appendix 1 a copy of the operator's quarterly operations report released to the Toronto Stock Exchange yesterday.

Permit Holders

Pan Orient (Operator) 60%
Carnarvon Petroleum 40%

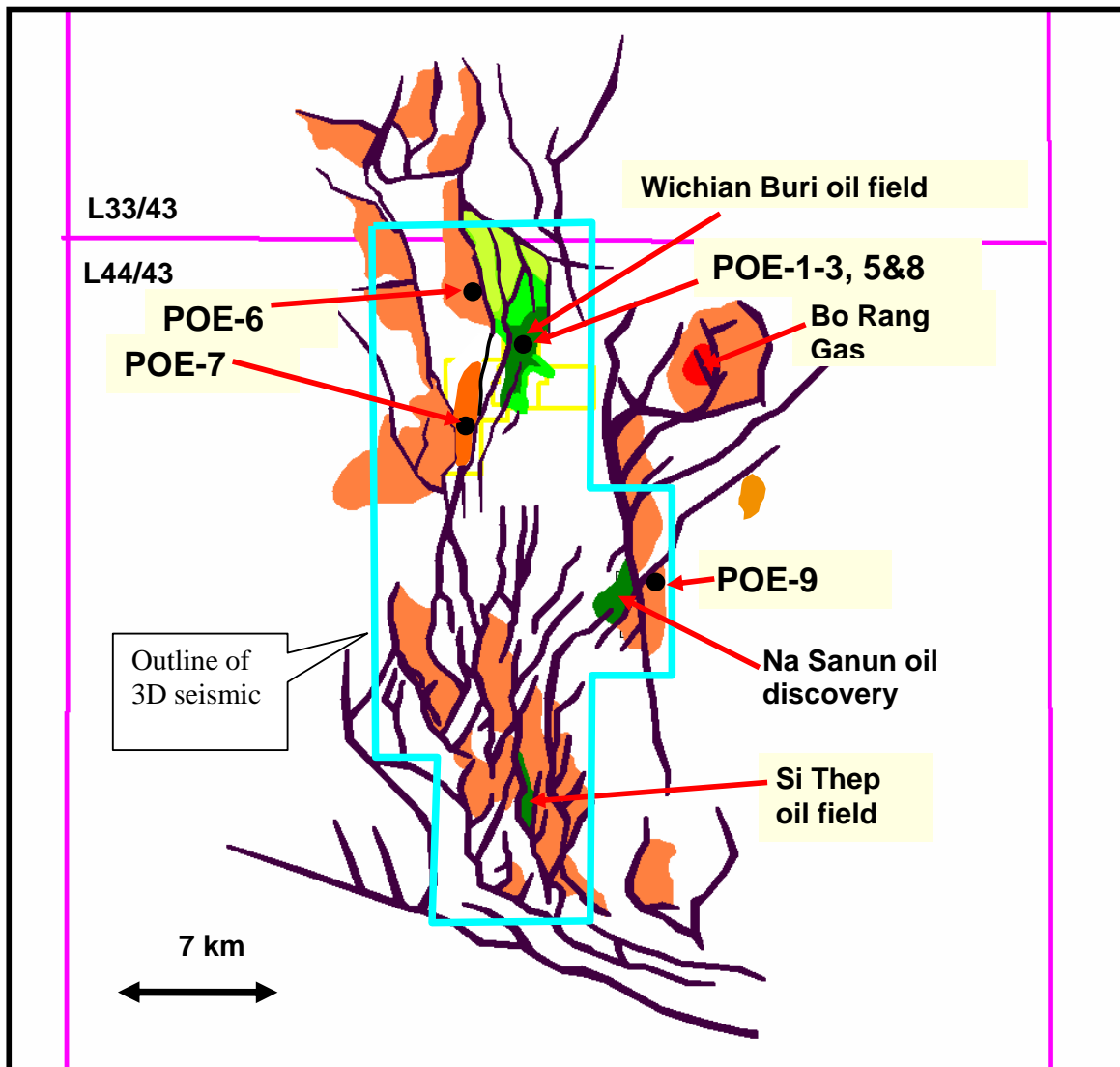


Figure 1: Location Map

Yours faithfully,

Carnarvon Petroleum Limited

RA Anderson
Company Secretary

APPENDIX 1

Pan Orient Operations Update

13:59 EST Monday, December 04, 2006

CALGARY, ALBERTA--(CCNMatthews - Dec. 4, 2006) -

NOT FOR DISSEMINATION TO U.S. NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES.

Pan Orient Energy Corp. (TSX VENTURE:POE) is pleased to provide an update of Company operations in Thailand and Canada in conjunction with the Company's 2006 3rd quarter financial statements and associated management's discussion and analysis which can be found online at www.sedar.com.

Highlights:

- New pool discovery, approximately 3 square kilometers in area, in the POE-6 fault block directly west of the main Wichian Buri field.
- New pool discoveries in the "G" and "H" sands of the main Wichian Buri field.
- Thailand production increase to approximately 250 bbl/d (gross) from a low of 60 bbl/d (gross) with the testing of only one zone in each of only four of six newly drilled wells.
- Continued Thailand drilling with POE-1 drilling resumed and the high impact POE-9 exploration well to spud immediately thereafter in mid December 2006.
- Accelerated Thailand well testing with the recent arrival of large quantities of perforating charges. Service rig operations proceeding on a 24 hour basis.
- Award of new 100% owned concession, L53/48 onshore Thailand, considered imminent with 3D seismic and drilling operations planned for 2007.
- The initiation of a fully integrated third party engineering report, by DeGolyer & McNaughton, covering the 100% Andora owned 16 section Sawn Lake south oil sands leases and 10% owned 69.5 section Sawn Lake north oil sand leases.
- Planning and location selection for a two vertical well heavy oil test program on Andora's 100% owned south Sawn Lake in the first quarter of 2007.
- Approximately \$22 million in available cash at the end of the third quarter, with zero debt, providing a strong financial base for future drilling and new ventures.

2006/07 Programs

Thailand

In 2006 Pan Orient initiated the most aggressive 3D seismic acquisition and drilling programs ever conducted in recent times onshore Thailand. The focus of these programs was to fully evaluate the hydrocarbon potential of the entire sedimentary column and thereby use this knowledge base to formulate future plans to maximize the reserve and production potential of 2 million acres of exploration and development lands owned (60%) and operated by Pan Orient. Thailand activity

levels are anticipated to increase further in 2007 with two rigs under contract that will develop the POE-6 new pool discovery, the main Wichian Buri field and the Si Thep field. Additionally, exploration drilling will proceed in the L33, L44 and L53 concessions.

Early Thailand testing results have resulted in initial stabilized production rates from two new zones ("G" and "H" sands) averaging 40-45 bbl/d and 20-25 bbl/d respectively. The "G" and "H" sands had never produced on the concessions previously and their production will result in new proven reserves assigned to these zones. After a delay related to the independent production testing of the "G" and "H" sands, prior to commingling, and the arrival of a large quantity of perforation charges, testing of additional zones has just recommenced. Of particular note, the testing results of the "G" sand in POE-6 has highlighted the potential of a 35 meter thick "G" sand zone in well WB-N8 and a 10 meter thick "G" sand in well WB-N7 within the same POE-6 fault, neither of which have ever been tested. Additionally, testing of the "G" sand in well POE-2 has highlighted the potential of a 14 meter thick "G" sand in WB-N6 and a 6 meter thick "G" sand in WB-N4 that have never been tested. The WB-N4/6/7/8 wells were all drilled by the previous operator, prior to Pan Orient's involvement in the concessions. The main "F" sand is about to be perforated in a number of newly drilled wells, two of which appear on logs to be the second and third best developed "F" sands drilled in the main Wichian Buri field. Drilling has recommenced on development well POE-1 and upon completion, the Aztec #7 rig will move to exploration well POE-9, the last and highest potential impact well of the current drilling program.

In late 2006 and early 2007 an engineering feasibility study will be conducted on a pilot water flood secondary recovery scheme of the "F" sand zone in the southern lobe of the Wichian Buri field. Historically, wells have declined rapidly within the first year of production as natural reservoir pressure depletes due to low aquifer and solution gas drive support. Preliminary analysis indicates the potential for increased rates and higher recovery factors through conventional "off the shelf" secondary recovery methods.

Recently the Government of Thailand awarded five of the first concessions bid on as part of the Thailand 19th oil and gas licensing round. Pan Orient views these recent awards as a very positive development and expects award of the 100% operated concession L53/48 in December 2006. Immediately upon award, and subject to Government of Thailand approval, management will move quickly to initiate a 150 square kilometer 3D survey in the second quarter of 2007 with drilling in later 2007 utilizing a rig currently under contract.

Canada

A third party engineering reserves report covering all Andora's interests in the Peace River region of Alberta has been initiated. Andora is a private company owned 67% by Pan Orient. The report will include an evaluation of all of Andora's interests in the Sawn Lake area, whereas a previous report included an evaluation of only 4 sections of what is now 85.5 sections. Work has also started on a cost and feasibility study of a two horizontal well pair SAGD pilot project within Andora 100% working interest lands. Preliminary oil sample analysis indicates that Sawn Lake heavy oil will respond to thermal recovery methods. Special inversion reprocessing of the 3D seismic survey acquired by Andora has been completed and will form the basis for two vertical test wells to be drilled and cored in the first quarter of 2007, within Andora's 100% operated 16 section land position.

New Ventures

Pan Orient maintains active new ventures programs focused on Thailand, India, China and Indonesia. On September 15, 2006 Pan Orient bid on seven blocks offered as part of the highly competitive India NELP VI bid round. Results are expected to be announced by the Government of

India within two weeks. The evaluation of other opportunities in countries within the stated focus area continues.

Pan Orient is a Calgary, Alberta based oil and gas exploration and production company with operations currently located onshore Thailand and in Western Canada.

This news release contains forward-looking information. Forward-looking information is generally identifiable by the terminology used, such as "expect", "believe", "estimate", "should", "anticipate" and "potential" or other similar wording. Forward-looking information in this news release includes, but is not limited to, references to: well drilling programs and drilling plans, estimates of reserves and potentially recoverable resources, and information on future production and project start-ups. By their very nature, the forward-looking statements contained in this news release require Pan Orient and its management to make assumptions that may not materialize or that may not be accurate. The forward-looking information contained in this news release is subject to known and unknown risks and uncertainties and other factors, which could cause actual results, expectations, achievements or performance to differ materially, including without limitation: imprecision of reserve estimates and estimates of recoverable quantities of oil, changes in project schedules, operating and reservoir performance, the effects of weather and climate change, the results of exploration and development drilling and related activities, demand for oil and gas, commercial negotiations, other technical and economic factors or revisions and other factors, many of which are beyond the control of Pan Orient. Although Pan Orient believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurances that the expectations of any forward-looking statements will prove to be correct.

40,056,842 common shares issued.

The TSX Venture Exchange has neither approved nor disapproved the contents of this press release.

FOR FURTHER INFORMATION PLEASE CONTACT:

Pan Orient Energy Corp.

Jeff Chisholm

President and CEO

(403) 294-1770

or

Pan Orient Energy Corp.

Jason Bednar

Vice President Finance and CFO

(403) 294-1770

Email: jason@panorient.ca

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.