



CARNARVON
PETROLEUM
LIMITED
ABN 60 002 688 851

21 March 2007

Company Announcements Office
Australian Stock Exchange Limited

Via ASX Online

Dear Sirs,

CARNARVON RAISES \$12.32 MILLION FOR EXPANDED PHASE 2 PROGRAMME IN THAILAND

Carnarvon Petroleum Limited (“Carnarvon”) is pleased to announce it has reached agreement with Hartleys Limited to place 160 million ordinary shares in Carnarvon at an issue price of 7.7 cents per share, to raise approximately \$12.32 million (“the **Placement**”), principally to international and domestic institutional clients of Hartleys Limited.

The Placement is being made in 2 tranches, with 70 million shares issued pursuant to the Company’s 15% placement capacity under ASX Listing Rule 7.1 and the balance of 90 million shares issued subject to shareholder approval at a general meeting of shareholders scheduled to be held late April 2007.

Following this Placement Carnarvon will be fully funded to pursue its expanded phase 2 programme within the Phetchabun Basin, Thailand, the highlights of which include:

- Up to 37 wells in total to be drilled in 2007, with cashflow from early wells expected to fund latter stages of the drill programme;
- Development wells to be drilled at the new oil field discovery, Na Sanun East;
- Appraisal of the Na Sanun Oil Field, which in 1994 flowed 1,400 bopd before watering out on the second day;
- 100km² 3D seismic survey to be shot over the Bo Rang gas field and Na Sanun East Oil Field;
- Exploration wells to be drilled at the Si Thep Oil Field (> 50,000 bbls previously produced from 1 well); and
- Exploration of the under-explored northern permit L33/43.

A significant upgrade to reserves expected in April 2007.

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The funds raised will also assist Carnarvon with its corporate growth objectives. The Company is currently in negotiations to participate in 2 new production opportunities that will deliver geographic diversification to Carnarvon.

Ted Jacobson, Chief Executive Officer of Carnarvon stated:

“The results of the placement have shown overwhelming support for the management and operational philosophy of the Company, and I thank shareholders for their support and welcome new shareholders.

This is a considerable raising which has provided an opportunity to bring several highly regarded institutions onto the register. This institutional support is important and provides a strong foundation for future growth.

The Phase 1 drilling programme of 8 wells drilled during 2006 was very successful with 7 wells currently on production. The last well in the programme, POE-9, was especially pleasing with the discovery of a new oil field, Na Sanun East, in a newly established geological reservoir of fractured volcanics. The results of this well have provided significant encouragement to explore and develop other areas in these large exploration permits, where there are similar reservoirs.

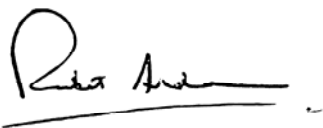
An aggressive field programme has been designed for 2007 of up to 37 wells and 100 sq kms of 3D seismic with the aim of significantly increasing production from Carnarvon’s Thailand permits. There will be a combination of development, appraisal and exploration wells starting later this month.

Carnarvon has also been actively pursuing new ventures in other areas, both internationally and in Australia, and is currently in negotiations for two new production opportunities. Part of the funds raised will allow the company to progress these activities. Funds will also be applied to building our technical staff resources to support this ambitious expansion of the company.

The year 2007 will be very busy with frequent news to report.”

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