



1322 Hay Street, West Perth
Western Australia 6005

Telephone: 08 9321 2665
Facsimile: 08 9321 8867
Email: admin@cvn.com.au

www.carnarvon.com.au
ABN: 60 002 688 851

30 October 2008

Company Announcements Office
Australian Stock Exchange Limited

Via ASX Online

Dear Sirs,

QUARTERLY REPORT FOR SEPTEMBER 2008

Please find attached Carnarvon Petroleum Limited's Quarterly Activities Report for the quarter ended 30 September 2008.

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

REPORT FOR THE SEPTEMBER 2008 QUARTER

“Development drilling in Carnarvon’s 40% NSE oil field commenced during the September quarter. 5 development wells have been completed to date with 100% production success. Another 5-7 development and appraisal wells will be drilled by year end. Carnarvon remains on target to deliver its stated year end production target of 15,000 bopd (gross) this year.

Increasing cashflow from high margin production is building a meaningful cash position for Carnarvon, ensuring Carnarvon is fully funded to progress its ongoing development, appraisal and exploration programme, and that Carnarvon is well placed to react to further growth opportunities.”

SUMMARY

- ✓ Full field development of NSE commenced
 - NSE-A1 flows on test at 1,245 bopd (18 Jul 2008)
 - NSE-A3 flows on test at 2,250 bopd (25 Jul 2008)
 - NSE-B2 flows on test at 1,340 bopd (23 Sep 2008)
 - NSE-A2 flows on test at 2,140 bopd (23 Sep 2008)
 - NSE-B1 flows on test at 2,650 bopd (08 Oct 2008)
 - NSE-D1 flows on test at 710 bopd (29 Oct 2008)
- ✓ Full field development of NSE continues
 - NSE-D2 drilling
 - NSE-A4 completing
 - Additional 5-7 well sites ready to drill
- ✓ Ongoing appraisal and exploration drilling complements full field development
 - Numerous appraisal and exploration wells planned to increase 2P reserves
- ✓ On target to deliver 15,000 bopd (gross) by year end
 - Current sales around 12,000 bopd (gross)
 - Rates constrained by well testing and ongoing drilling
- ✓ Revenue for September quarter A\$31.2 million net to Carnarvon
 - High margin oil production
- ✓ Cash in bank A\$41 million
 - Nil debt and strong cashflow building a significant cash position
 - Development, appraisal and exploration drilling fully funded
 - Well placed to react to further growth opportunities

REVENUE AND PRODUCTION

Carnarvon achieved revenue for the September quarter of A\$31.2 million, with an average price of A\$118.44 per barrel.

Net oil production sales and revenues for the past two quarters are as follows:

	Sept 08 quarter	Jun 08 quarter	Qtrly % Change	Comments
Net sales volumes – (bbls)	263,179	236,528	+ 11%	Some wells shut-in due to ongoing drilling programme
Net sales revenue – (A\$ 000)	31,171	25,078	+ 24%	Increased volumes and oil price
Average sale price achieved – (A\$/bbl)	118.44	106.15	+ 12%	Increased US\$ oil price and weaker A\$
Net average daily (bopd)	2,860	2,596	+ 11%	

During the quarter, development drilling of the Na Sanun East (“NSE”) oil field commenced with 5 development wells drilled and each well completed as a producer. Development drilling will continue through most of the current quarter.

During the current development drilling campaign several wells remain under long term test, limiting the production and sales volumes, as wells are shut-in or production constrained in line with long term oil testing practices. Development drilling is being conducted from multi-well pad sites, which, while allowing for long term efficiencies and cost savings, affects short term production, as wells are shut-in during drilling operations of neighbouring wells.

While field sales rates are currently around 12,000 bopd gross, current well deliverability is around 13,000 to 14,000 bopd gross. The current phase of development drilling is anticipated to be complete before year end. The Joint Venture remains on track for gross field production rates of 15,000 bopd by year end. It is planned that this will be maintained by the Joint Venture as a steady state production rate from the NSE field in respect of current 2P reserves, going forward. Carnarvon’s fully funded appraisal programme will seek to increase this rate further by upgrading Carnarvon’s significant 3P reserves and contingent resources into developed 2P reserves.

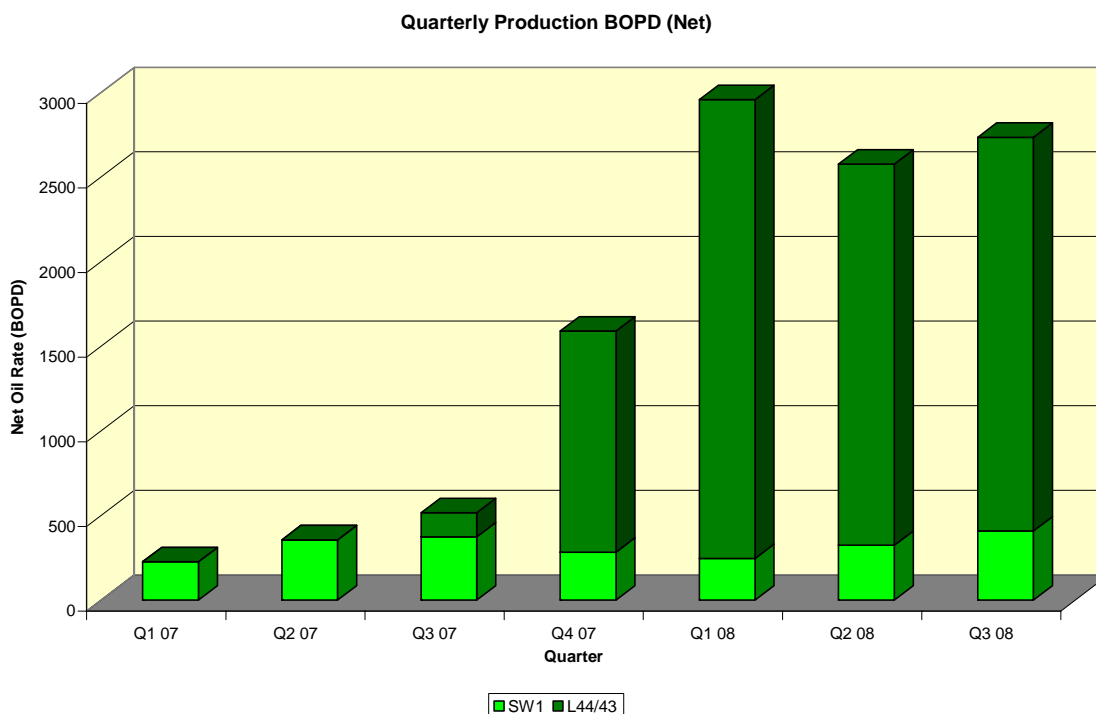


Figure 1: Carnarvon net quarterly production for Jan 2007 to Sept 2008

DEVELOPMENT AND APPRAISAL ACTIVITY

- A 27.8 square km production license over the NSE oilfield (Carnarvon 40%) was awarded in early 2008, however environmental approvals for drilling were delayed and not granted until early in the second quarter. Construction of multi-pad drill sites could only commence with the environmental approvals in place. These development sites are substantial, allowing for several horizontal wells to be drilled from each site.
- To date, five drilling/production sites have been completed, with five development wells drilled and completed as producers and a further 3 development wells in progress. A further 10 well slots are ready for drilling commencement among the five drilling sites. The development of the already delineated 2P reserves will be mostly complete at the end of the current development drilling phase.
- The development plan is targeting a production plateau from NSE of around 15,000 bopd from the 2P reserves base of 20.8 million bbls, and a few additional wells may be drilled in order to sustain this plateau over the next several years.
- The Joint Venture is on target to achieve the stated year end gross production target of 15,000 bopd this year.
- A further three multi-well sites are in consideration for appraisal drilling of the NSE field away from the area delineated by the 2P reserves area.
- Carnarvon's fully funded appraisal programme will endeavour to build this 2P reserve base by upgrading its significant 3P reserves and contingent resources, with a view to continuing to grow production above 15,000 bopd from NSE and other areas of appraisal.

- The Joint Venture has contracted a large road tanker fleet from a number of sources, and is confident that trucking operations can maintain and exceed sales of 15,000 bopd. This road tanker operation is easily scalable with minimal capital investment.

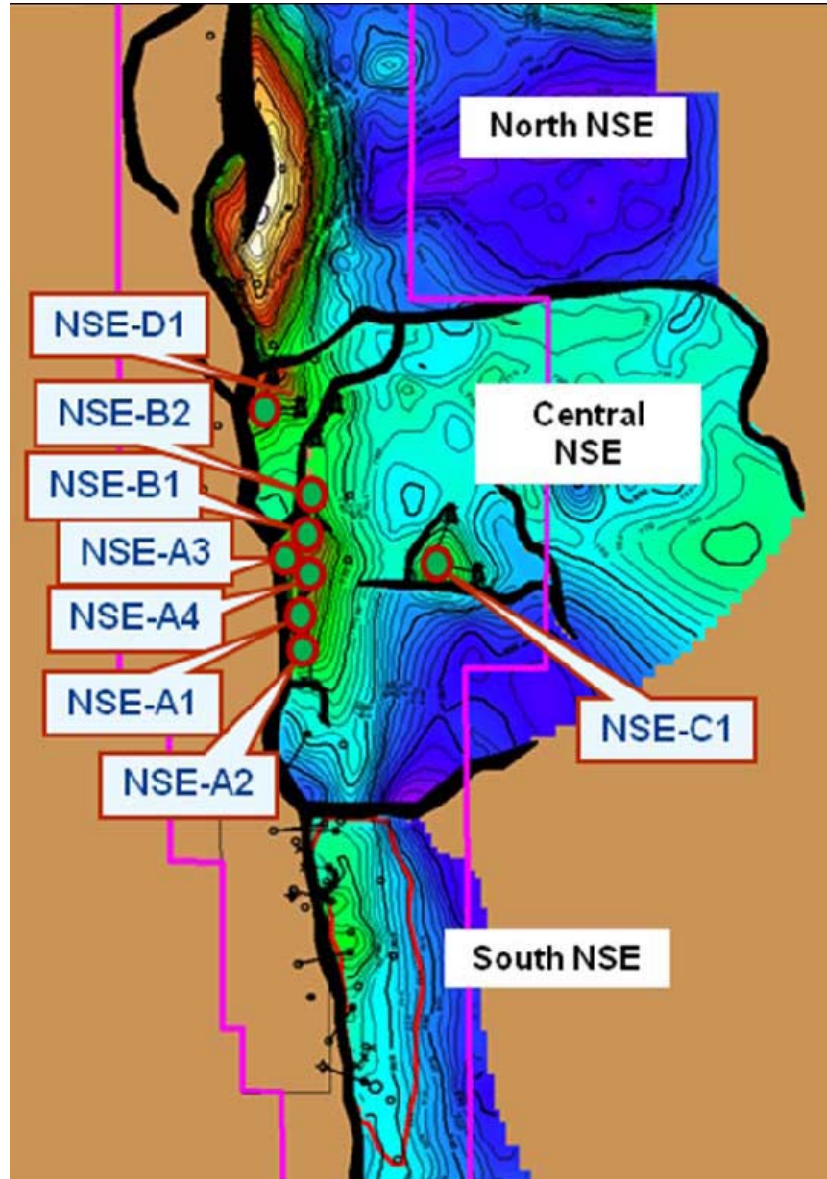


Figure 2: NSE oil field showing development wells drilled to date

DRILLING AND EXPLORATION

(a) Wells drilled:

Well	Permit	Status
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During Quarter

L33-3 (exploration)	L33/43	Unsuccessful test – well suspended
NS9-H1 (appraisal)	SW1A	Unsuccessful test – well suspended
NSE-A1 (development)	L44/43	Successfully tested at 1,245 bopd
NSE-A3 (development)	L44/43	Successfully tested at 2,250 bopd
L44-C (appraisal)	L44/43	Unsuccessful test – well suspended
NSE-B2 (development)	L44/43	Successfully tested at 1,340 bopd
NSE-A2 (development)	L44/43	Successfully tested at 2,140 bopd

Subsequent to Quarter

NSE-B1 (development)	L44/43	Successfully tested at 2,650 bopd
NSE-D1 (development)	L44/43	Successfully tested at 710 bopd
NSE-A4 (development)	L44/43	Completing
NSE-D2 (development)	L44/43	Drilling
NSE-C1 (appraisal)	L44/43	Due to spud

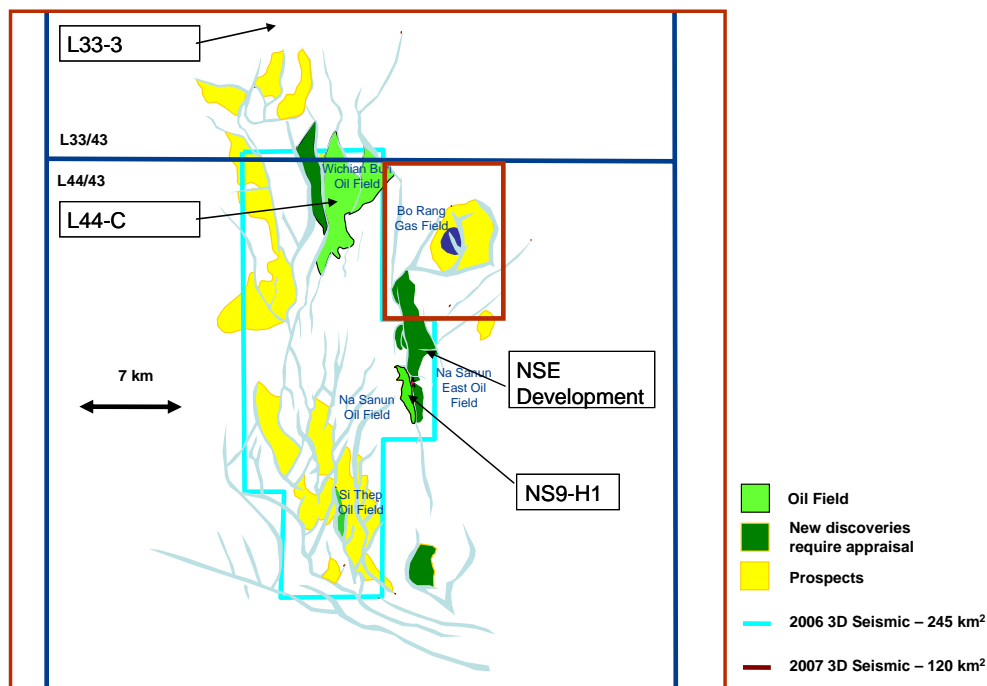


Figure 3: Phetchabun Basin well location map (CVN 40%)

- The L33-3 exploration well is located in the northern L33/43 exploration permit within the previously untested Khon Khwang graben. The well was drilled on a lead defined by a single seismic line to evaluate the potential of this northern area. This well was drilled to a total depth of 1,084 metres. Potential volcanic reservoir was intersected over a number of intervals throughout the well, however, extensive testing failed to produce commercial flows of hydrocarbons.
- The NS9-H1 horizontal appraisal well is located within the Na Sanun oil field located on the downthrown western side of the Na Sanun bounding fault and separate from the adjacent Na Sanun East oilfield on the upthrown eastern side of the same bounding fault. Testing of the well failed to produce commercial rates of oil flow.
- The NSE-A1 development well is located off the crest of the NSE central fault compartment. The NSE-A1 well, which is the first well drilled from the NSE-A drill pad, was flow tested at a free flowing rate of around **1,245 bopd**. This oil is being produced from a newly discovered, approximately 17 metre thick upper volcanic/volcanic clastic reservoir.
- The NSE-A3 horizontal development well is located within the Na Sanun East oil field. The well was completed subsequent to the Quarter. During well test operations the well was free flowing oil from the main volcanic reservoir within the Na Sanun East central fault compartment at a stabilised rate of approximately **2,250 bopd** with a very low 0.1% water cut. The NSE-A3 horizontal development well was drilled to a total measured depth of 897 metres, penetrating the top of the main volcanic target at a depth of 755 metres TVD at a location approximately 420 metres due north of the NSE-A1 surface location. A 60 meter horizontal section was drilled within the upper 6 metres of the approximately 180 meter thick main volcanic reservoir.
- 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 fractured volcanic interval, at a location 1.15 kilometres north of the POE-6 oil discovery. Minor indications of oil and gas along with large quantities of water were observed from the uppermost interval of the deep volcanic zone. Several flow tests were carried out over the lower volcanic and main sandstones potential reservoirs, with encouraging shows and oil samples but failing to flow commercial volumes of hydrocarbons. The well has been suspended ahead of potential sidetrack drilling in late 2008 or early 2009 to chase the structure updip.
- 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 TVD. A total measured thickness of 75 metres of volcanic reservoir was penetrated. The well tested at a stabilised rate of **1,340 bopd** with a less than 0.1% water cut.
- 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.

- The NSE-B1 development well has been drilled to a total depth of approximately 713 metres TVD at a subsurface location approximately 100 metres south of the NSE-B drilling pad, structurally located across a large fault at the ultimate crest of the NSE central fault compartment. Approximately 87 metres of total volcanic section was drilled. The well has tested at a stabilised rate of **2,650 bopd**.
- The NSE-A4 development 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 was deepened into the underlying oil leg of the main volcanic target, however, due to experiencing massive 500+ bbl/hr drilling fluid losses, the liner was unable to be run to complete the well. During drilling there was no indication of gas (below an interpreted gas/oil contact). At the present time the hole is being conditioned to set a 4.5” liner and complete the well for production.
- NSE-D1 is a vertical well located in the northern portion of the Central NSE oil field, approximately 900m north of the NSE-A drill pad. NSE-D1 was designed to extract a whole core sample from the reservoir before being converted to a development well. The NSE-D1 appraisal well has been completed and is currently on test at a rate of approximately **710 bopd**. The well is producing within the limits of the current pump configuration and a larger capacity tubing pump will be installed to test the well at higher rates.
- Upon completion of the current operation at NSE-A4, the rig will be moved to the NSE-C1 well location which is around 1,000 meters east of the NSE-A drill pad. NSE-C1 will be targeting an area of possible reserves as defined by Gaffney Cline & Associates in the year end 2007 reserves report. If this well is successful, some of the possible category reserves in this area could be moved to probable reserves (2P) when reserves are re-calculated as at the end of the 2008 calendar year.

(b) Status of near term exploration / appraisal / development programme (Q4 2008 – Q1 2009)*

Well	Permit	Well Type	Status
NSE-C	L44/43	Development – Na Sanun East	Site construction complete
NSE-D	L44/43	Development – Na Sanun East	Site construction complete
NSE-E	L44/43	Development – Na Sanun East	Site construction complete
L44-C2	L44/43	Appraisal – Wichian Buri	Site construction complete
L44-V	L44/43	Appraisal/Exploration Bo Rang	Site construction complete
L44-W	L44/43	Appraisal/Exploration Bo Rang	Site construction complete
L44-U	L44/43	Appraisal – L44-R Discovery Well	Sit construction underway
L33-1	L33/43	Exploration – Northern Block L33/43	Site construction complete
L33-2	L33/43	Exploration – Northern Block L33/43	Site construction complete
L44-F	L44/43	Exploration – Newfield Wildcat	Site construction complete

* Final well numbers, locations and order of drilling subject to ongoing Joint Venture discussion.

- Approximately five of the above wells are targeted for completion by year end, with the mix of development, appraisal or exploration dependent on resultant testing rates.
- Two rigs are currently being used full-time and will continue into 2009. A smaller workover rig is also being utilised to minimise appraisal and development rig costs. Carnarvon anticipates that drilling will continue throughout the normal year end holiday period with no expected breaks.
- Development drilling will continue in the Na Sanun East oil field until field management is satisfied a sustainable rate of 15,000 bopd has been achieved from all wells within the Phetchabun licenses. Each new site location has drill pads for up to four horizontal development wells.
- L44-F will be a new field wildcat exploration well targeting a 3D seismic anomaly to the west of the Wichian Buri and Na Sanun East oil fields.
- L33-1 & 2 will be new field wildcat exploration wells within the northern L33/43 concession, north of the producing Wichian Buri field. These wells which will target 2D seismic amplitude anomalies.
- L44-C2 is a planned appraisal of the sandstones extending from the Wichian Buri field in the area of the POE-6 discovery well.
- L44-U is a planned appraisal of the L44-R oil discovery to the south of the NSE oil field. This appraisal may incorporate artificial fracturing to enhance the previously tested rates of around 30 bopd from L44-R.
- L44-V is a planned appraisal/exploration well targeting a potential oil leg of the Bo Rang gas field.
- L44- W is an appraisal/exploration well north-east of the Bo Rang gas field.

EXPLORATION BLOCKS

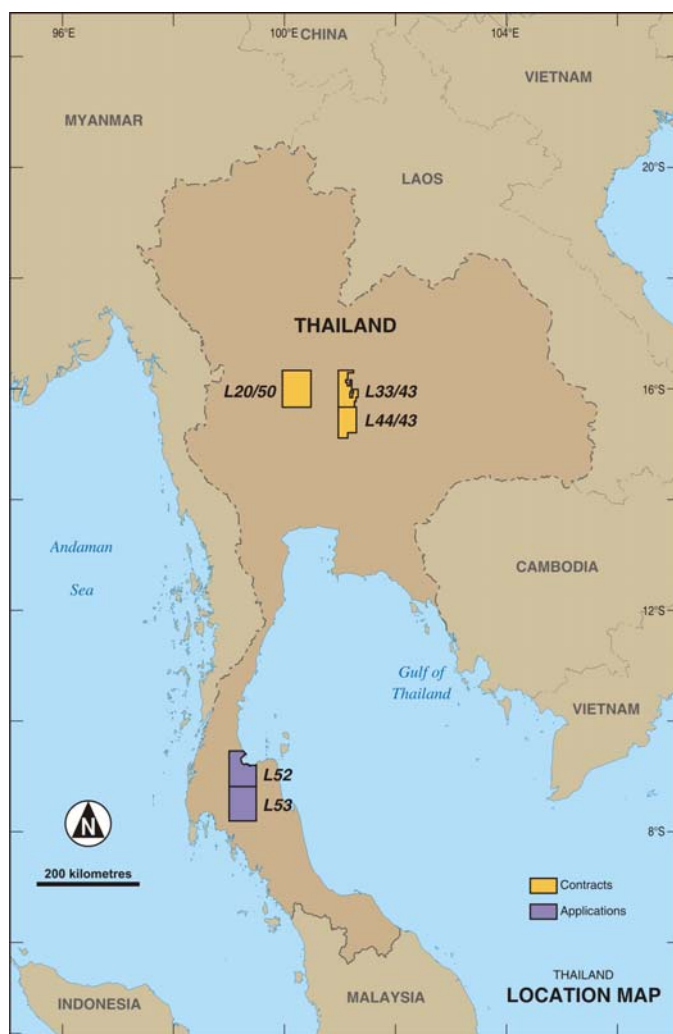


Figure 3: Thailand concessions – location map

(a) L20/50 Concession - Thailand
(Carnarvon Petroleum 50% and Operator / Sun Resources 50%)

The L20/50 concession is situated approximately 30 kms to the southeast and on trend with the largest onshore oil field in Thailand at Sirikit. Previous drilling has demonstrated that oil has been generated within the L20/50 concession.

Carnarvon has commenced reprocessing available seismic data within the permit.

The planned aeromagnetic survey continues to be delayed due to permitting issues.

As Carnarvon waits for the anticipated approvals, work has started on planning for an extensive 2D conventional seismic survey. The survey would cover around 500 line km and is planned for acquisition in 2009. Interpretation of the seismic data would determine the location of at least one exploration well in the block.

(b) L52/50 & L53/50 Concession Applications - Thailand
(Carnarvon Petroleum 50% / Pearl 50% and Operator)

The Company has applied to the Department of Mineral Fuels (“DMF”) in Thailand for concession rights in petroleum exploration and production for two areas described as Blocks L52/50 and L53/50 (“the Concessions”) onshore Thailand within the Surat-Khiensa Basin.

Pearl Oil (Petroleum) Ltd (“Pearl”), an independent oil and gas company with exploration and production activities focused exclusively in South East Asia, submitted the bid as operator on behalf of Pearl and Carnarvon, each company participating at a 50% equity level.

The combined area of the two blocks is large, comprising approximately 6,950 km². However, both are lightly explored, with only two deep wells and limited seismic data available.

Carnarvon and Pearl were together the sole bidders for this block. The awarding of this, and other outstanding blocks in the 20th Thailand Bid Round, will be delayed further due to the recent change in government in Thailand. Carnarvon still anticipates the block being formally awarded in late 2008 or early 2009.

NEW VENTURES

Carnarvon maintains an active programme screening and evaluating growth opportunities predominantly in SE Asia where it can add value with its highly recognised technical strength but requiring minimal upfront expenditure in the initial stages of prospect evaluation.

In particular, Carnarvon is looking at several opportunities in Thailand using its knowledge of the area and where it has tax advantages out of production from the Wichian Buri and Na Sanun oil fields.

CORPORATE ACTIVITIES

Cash balance

The consolidated cash balance at quarter end was A\$41.0 million, compared to A\$31.5 million at the end of the previous quarter. The Phetchabun Joint Venture paid a substantial income tax and Special Remuneratory Benefit instalment during the quarter.

Carnarvon’s share of the planned December 2008 quarter production, exploration, evaluation and development expenditure is currently estimated at A\$5 million, primarily consisting of ongoing drilling and testing operations in Thailand. Ongoing field expenditure will be funded by sale proceeds from producing wells.

Thailand

Notwithstanding news reports of minor unrest in Thailand, Carnarvon’s operations have not been impacted and the company and the Joint Venture continues to enjoy excellent support from the Thailand Government Department of Mineral Fuels.

Top 20 Shareholders

An updated top 20 shareholders list as at 29 October 2008 is attached:

**CARNARVON PETROLEUM LIMITED TOP 20
29 OCTOBER 2008**

	Shares	%
1 <u>J P MORGAN NOMINEES AUSTRALIA LIMITED</u>	40,845,429	6.07
2 <u>HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED</u>	33,378,629	4.96
3 <u>NATIONAL NOMINEES LIMITED</u>	24,188,117	3.59
4 <u>ANZ NOMINEES LIMITED</u> <u><CASH INCOME A/C></u>	17,617,181	2.62
5 <u>MR EDWARD PATRICK JACOBSON</u>	14,917,903	2.22
6 <u>CITICORP NOMINEES PTY LIMITED</u>	11,121,967	1.65
7 <u>ARNE INVESTMENTS PTY LTD</u>	8,916,906	1.32
8 <u>MR PETER JAMES LEONHARDT</u>	7,700,000	1.14
9 <u>MACQUARIE BANK LIMITED</u>	7,199,379	1.07
10 <u>ARNE INVESTMENTS PTY LTD</u>	6,710,493	1.00
11 <u>ATHOL STEEL PTY LTD</u>	6,400,000	0.95
12 <u>PENDOMER INVESTMENTS PTY LTD</u> <u><LAW SETTLEMENTS FUND A/C></u>	6,400,000	0.95
13 <u>MR EDWARD PATRICK JACOBSON</u>	6,000,000	0.89
14 <u>MR GREGORY JOHN MUNYARD + MRS MARIA ANN MUNYARD + MISS</u> <u>CARMEN HELENE MUNYARD</u> <u><RIVIERA SUPER FUND A/C></u>	5,800,000	0.86
15 <u>MR BRETT STEELE WILLIAMSON + MS NICOLE DEANNE ROCKLIFF</u>	5,300,000	0.79
16 <u>CITICORP NOMINEES PTY LIMITED</u> <u><CWLTH BANK OFF SUPER A/C></u>	5,271,720	0.78
17 <u>KAYMAC NOMINEES PTY LTD</u> <u><MCMULLAN SUPER FUND A/C></u>	4,939,372	0.73
18 <u>MACQUARIE BANK LIMITED</u> <u><METALS & ENERGY CAP DIV A/C></u>	4,931,263	0.73
19 <u>MR LAWRENCE ADDISON BROWN + MRS JILL BROWN</u>	4,789,272	0.71
20 <u>BOND STREET CUSTODIANS LIMITED</u> <u><MACQUARIE SMALLER CO'S A/C></u>	4,269,082	0.63
Total	226,696,713	33.66