

Investor Presentation

April 8th, 2010



Carnarvon Investor Presentation

Please find attached Carnarvon's latest investor presentation.

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Investor Update

April 2010



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The information in this document, that relates to oil exploration results and reserves, is based on information compiled by the Company's Chief Operating Officer, Mr Philip Huizenga, who is a full-time employee of the Company. Mr Huizenga consents to the inclusion of the reserves and resource statements in the form and context in which they appear.

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Introduction / Latest News

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9	Upcoming Activities

Strategic Position



Current Asset Position

		Thailand	Australia	Indonesia
<p>Carnarvon's growth plans are focused on adding assets that create a quality portfolio</p>	Exploration	6 onshore permits	5 offshore permits	1 onshore permit
	Appraisal	3 onshore permits		
	Production	6 onshore licences		

People



Peter Leonhardt – Chairman
FCA, FAICD (Life)
Independent non-executive director
Finance, accounting, business management, governance



Edward (Ted) Jacobson – Chief Executive Officer
B.Sc (Hons) Geology
Executive director
Company founder, geologist, corporate strategy



Neil Fearis – Chairman of the Audit & Remuneration Committees
LL.B (Hons), MAICD, F.Fin
Independent non-executive director
Commercial, legal, governance



Ken Judge
B.Com, B. Juris, LL.B
Independent non-executive director
Business management, corporate strategy, legal (M&A)

People



Ted Jacobson



Adrian Cook



Phil Huizenga

- Carnarvon has expanded nearly ten-fold (on a market capitalisation basis) over the last four years
- The Board recognises that the management structure needs to evolve with the growth in the business
- The Board recently strengthened the management team with the addition of Adrian Cook and the re-balancing of functions amongst the team.
- The Board and the management team are well qualified and committed to taking the company to the next stage of growth.

Latest News

Dec 23 2009 : Carnarvon Appendix 3B
Dec 22 2009 : Thailand Update New Production Licence
Dec 18 2009 : Carnarvon Operations Update - Offshore Western Australia
Dec 17 2009 : Thailand Update Further appraisal success in Bo Rang
Nov 30 2009 : Results of Annual General Meeting
Nov 30 2009 : Carnarvon AGM Presentation Attribution Statement
Nov 27 2009 : AGM 2009 Presentation
Nov 27 2009 : Carnarvon AGM Chairman's address
Nov 13 2009 : Carnarvon Operations Update
Nov 09 2009 : Appendix 3B
Oct 29 2009 : Carnarvon September 2009 Quarterly Report
Oct 16 2009 : Carnarvon June 2009 Annual Report
Oct 14 2009 : Thailand Update - Appraisal Success in L44-W and Bo Rang
Oct 13 2009 : Carnarvon AGM Notice
Oct 09 2009 : Carnarvon June 2009 Annual Report
Oct 02 2009 : Appointment of General Managers
Oct 02 2009 : Appendix 3Y
Sep 18 2009 : Thailand Resource Estimate - L44/43 Concession
Sep 18 2009 : Carnarvon Petroleum Enters Farm-in Agreement For Rangkas Block Onshore Indonesia
Sep 16 2009 : Bo Rang New Oil Field Discoveries
Aug 31 2009 : Thailand Operations Update
Aug 31 2009 : Thailand L20/50 2D Seismic Acquisition Complete
Aug 31 2009 : June 2009 Annual Report
Aug 28 2009 : Appendix 4E and June 2009 Annual Statutory Accounts
Aug 18 2009 : L20/50 Seismic Update
Aug 05 2009 : Carnarvon Acquires Three Permits - Offshore Western Australia
Jul 30 2009 : Carnarvon June 2009 Quarterly Report
Jul 29 2009 : 2D Seismic Acquisition Thailand L20/50 Block
Jul 28 2009 : Award of New Permit - Offshore Western Australia
Jul 14 2009 : EIA Approval



Latest News

- 48% reserves upgrade in L44 permit (Thailand)
- L44 permit (Thailand) production currently at ~7,500 bopd gross
- L20/50 permit (Thailand) drilling plans announced (drilling Q4, 2010)
- L52 & L53 permits (Thailand) awarded (Feb 2010)
- First half (Dec 2009) NPAT of \$7.4m from 430,394 bbls produced



Upcoming Activities

Carnarvon Signs Two Concessions in Thailand

Tuesday, Mar 02, 2010

Thailand L52/50 and L53/50 Concession signed

Executives of Carnarvon Petroleum attended an official signing with the Minister of Energy and Government officials for the newly awarded L52/50 and L53/50 concessions in the Surat Thani province, onshore on the Thailand peninsula.

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.

Commitments

In the first three year obligation period the Joint Venture has committed to a work program of geological studies, geophysical data acquisition and wells with a total expenditure of around US\$2.5 million gross (US\$ 1.3 million net to Carnarvon).

Work Program

The Joint Venture is keen to start work on the blocks, and envisage geological surface mapping and shallow geophysical data acquisition to be undertaken in the first year ahead of detailed 2D seismic acquisition in the second year.

L52/50 and L53/50 Concession Permit Holders

Pearl Oil (Petroleum) Ltd (Operator) 50%

Carnarvon Petroleum 50%

BUSINESS[™] WITH THE WALL STREET JOURNAL

More tips from the coalface

Robin Bromby | The Australian | January 19, 2010 11:17AM

A+ A- Share

YOU really can't argue with a man who invested \$1 million over 2008 and into 2009 and who has made a capital gain of \$730,000.

There isn't enough room to list the buy and sell dates, but his big success was **Atlas Iron** where he made \$377,774 after buying at 47.5c in April 2008 and selling at \$2.27. His other winning bets include **Strike Energy** and **Carnarvon Petroleum**.

upstreamonline.com

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Exploration & Production Field Development Company News



Thailand: Carnarvon Petroleum and Pearl Oil seal deal for pair of Thai blocks.

RELATED STORIES

- Multinational firms Thai oil
- Thai partners sign new production licence
- Oil deals fourth for Rangoon

The partners expect to conduct geological studies and acquire geophysical data during the first year. Detailed 2D seismic acquisition will take place in the second year.

Pearl and Carnarvon are equal sharing partners in the joint venture.

Published: 02 March 2010 04:21 GMT | Last updated: 02 March 2010 04:21 GMT

Pearl seals Thai block deal

Pearl Oil and Carnarvon Petroleum have been officially awarded two new onshore concessions in Thailand's Surat Thani province.

Upstream staff | 02 March 2010 04:21 GMT

The pair submits the size bid for onshore blocks L5250 and L5350 offered in Thailand's 20th licensing round.

The two blocks have a combined area of 6950 square kilometres and are lightly explored, with limited seismic data available and only two deep wells drilled to date.

The joint venture has committed to spend \$2.5 million on exploring the two blocks during the first three years.

Bangkok Post Business

The four licences have been granted to Pearl Oil (Resources), Carnarvon Petroleum, JSX Energy Co and Shaanxi Yanchang Petroleum Co. They will have three years for exploration and if they discover potential reserves, they will have priority for production licences.

Offshore

Published: Oct 2, 2009

Offshore staff

CANBERRA, Australia – Australia's Minister for Resources and Energy, Martin Ferguson, has awarded ten offshore exploration permits in Commonwealth waters off Western Australia and the Northern Territory.

The permits are:

- WA-435-P in the Roebuck basin to Carnarvon Petroleum

Upcoming Activities

- L44 (Thailand) drilling 25 to 30 production & exploration wells throughout the year - production focus
- WA-435-P, WA-436-P, WA-437-P & WA-438-P (Australia) seismic acquisition program commencing Q2, 2010
- L52 & L53 (Thailand) seismic plans expected to be finalised in Q2, 2010
- Rangkas PSC (Indonesia) seismic acquisition program commencing Q3/Q4, 2010
- L20/50 (Thailand) drilling planned for Q4, 2010



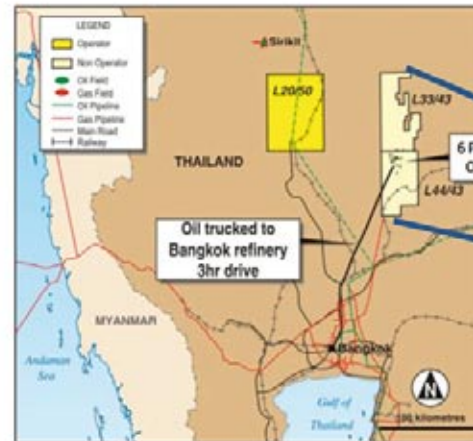


Operations - Thailand

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19	L44/33 - 2010 Drilling Program
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25	L52 & L53 – Permit Overview

Field Overview – L33, L44 & SW1A

High margin
production with
exploration upside

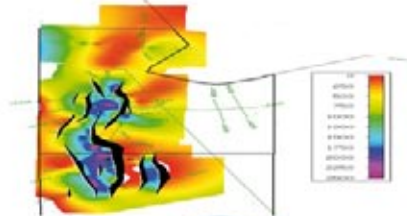


- Onshore close to quality infrastructure
- Opex & trucking ~US\$7.50/bbl
- Depreciation / amortisation ~US\$7/bbl (*)
() Based on current accounting policy and estimates*
- Production ~1.0 to 1.3 mmbbls p.a. net
- 2P reserves of 24.5 mmbbls net



Carnarvon 40% POE Operator

Field Overview – L33, L44 & SW1A



Short cycle time to generate cash flows from each successful well

Production Overview

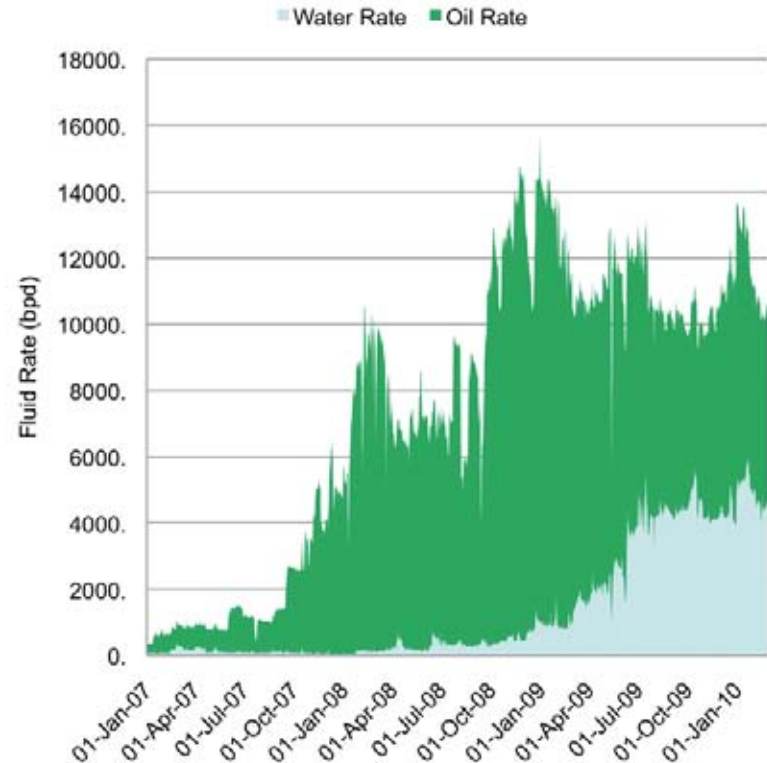


- 35 producing wells currently in operation
- Several wells awaiting workovers
- Six production licences
 - 20 year life
 - optional 10 year extension period
- Long field life on current production rates and reserves
- Reserves spread across several oil fields - notably Bo Rang A & B, NSE-F1 & NSE Central

Production Overview

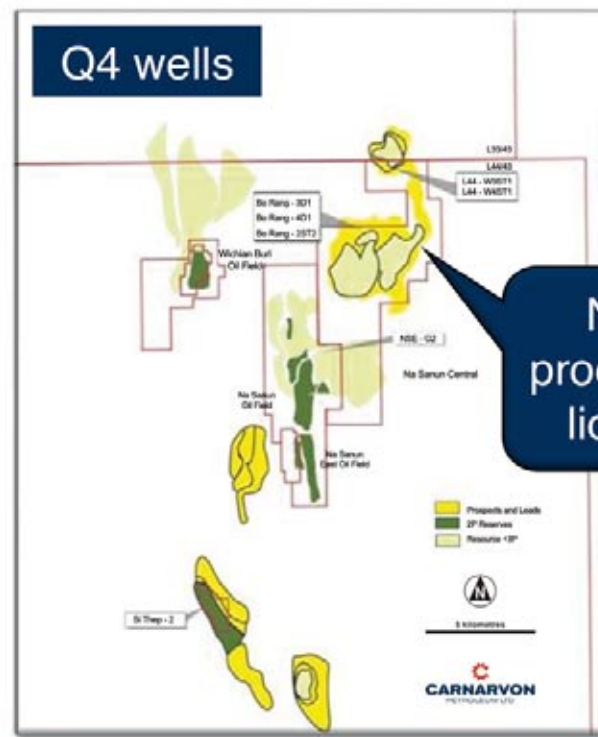
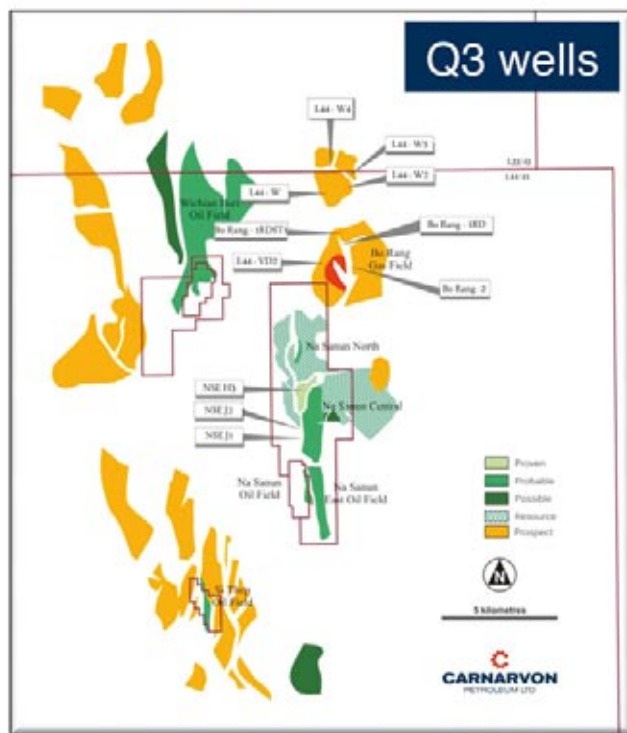
- Production predominately from fractured reservoirs (*differs from sandstone reservoirs refer slides 17 & 18*)
- Production levels driven by:
 - number of wells on flush production in a given period;
 - number of production wells in a given period;
 - decline rates, which vary from well to well.
- Water cut is currently at a manageable 50%, well within field capability

Daily Production



2009 Drilling - Q3 & Q4 wells

- Q3 & Q4 drilling assessed Bo Rang, L44-W & Si Thap prospects
- Production licence granted for 20 years with additional 10 year option
- Clear strategic reasons to convert exploration to production licences



2009 Drilling - Exploration Results

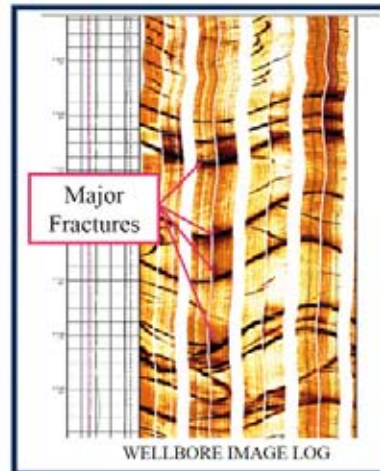
- High exploration success rates
- December 2009 year end reserves increased 48% to 24.5 mmbbls as a consequence of 2009 exploration activities
- The majority of 2P reserves additions were across the four main fields (Bo Rang A, Bo Rang B, NSE-F1 and NSE Central) providing depth to the overall reserve base.



Prospect Name	Status
NSE-F1	Discovery
NSE-I1	Sub Commercial
Bo Rang A	Discovery
Bo Rang B	Discovery
L44-W	Discovery
Si Thep Deep	Under Evaluation

Fractured Reservoirs in L33, L44 & SW1A

- L33, L44 & SW1A contain multi layered fractured reservoirs
- Heterogenous nature of fracturing means individual well performance varies:
 - 100,000 bbls to 1.5 million bbls per well
 - Potential for infill locations
- Fracturing also results in varying water cut



Bo Rang ~ 250 – 450m

L44-W ~ 550 – 650 m

NSE main ~ 700 – 950 m

NSE Deep ~ 1000m +

Fractured Reservoirs in Other Regions

Example from fractured reservoir of Austin Chalk:-

- Well production rate is dependent on number of fractures intersected
- Wells that penetrate heavily fractured areas adjacent to fault outperform wells that miss fracture network by as little as 30m
- To increase success rate – 3D seismic data used to identify fractured areas

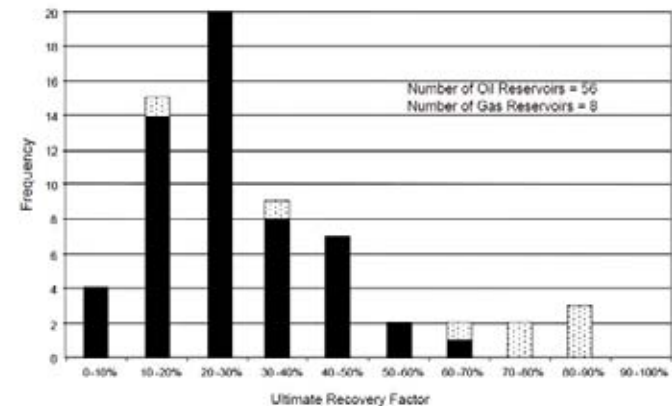
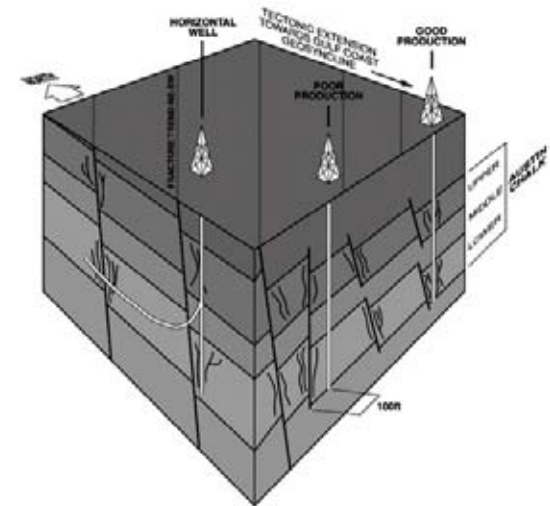
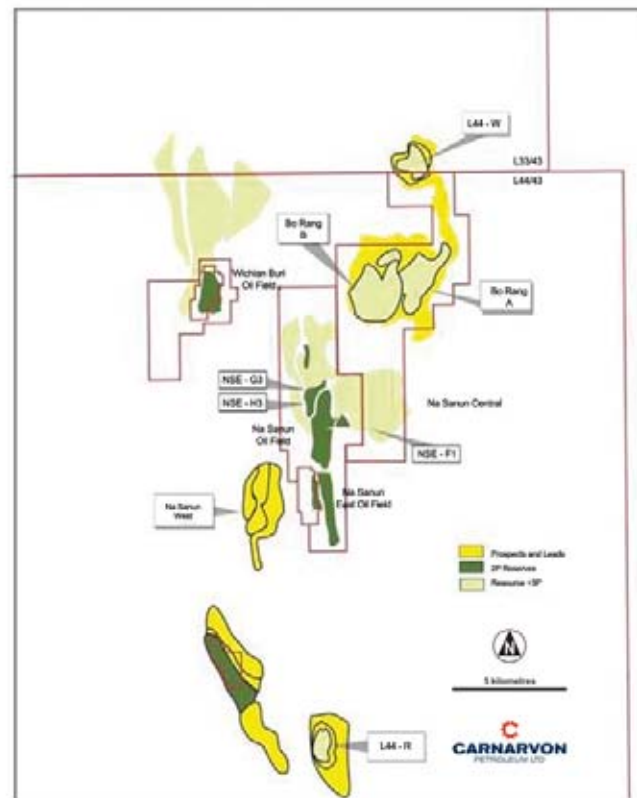
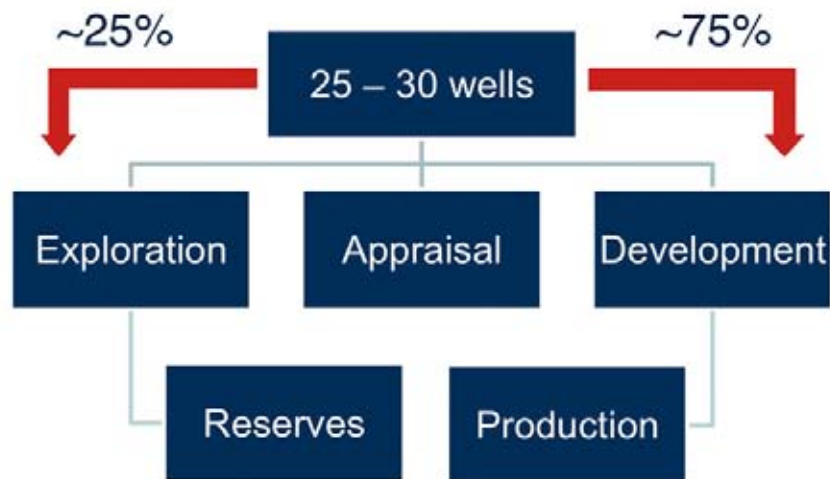


Figure 1. Distribution of ultimate recovery factor for fractured reservoirs of all types (Types I, II, III and IV).

2010 Drilling – Production Focus

- Development drilling in Q1
- Review balance in Q2
- Exploration drilling later in the year



2010 Drilling - Exploration Upside

Fractured reservoirs

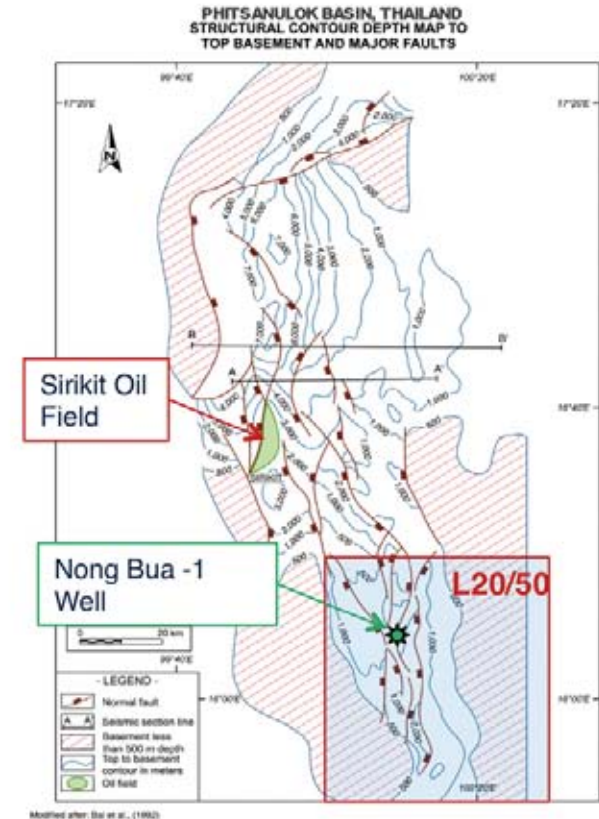
- High initial rate wells
 - Flow rates from 500 to 4,000 bopd
- High but variable recovery rates
 - 100,000 bbls to 1.5 million bbls per well
- Variable decline rates
- Quick payback
- Short production life
- High maintenance wells

Sandstone

- Good initial rate wells
 - Flow rates from 10 to 350 bopd
- Medium recovery rates
 - 50,000 to 500,000 bbls per well
- Low decline rates
- Long production life
- Low maintenance wells
- Easily mapped on 3D seismic

L20/50

- Southeast and on trend of the 200 million barrel Sirikit Oil Field (produced over 150 mmbbls and still producing ~20,000 bopd)
- ~1,000km of 1980s vintage 2D seismic interpreted
- 550 kms of 2D seismic acquired in 2009
- Nong Bua-1 well drilled by Shell in 1982 with oil shows & potential oil column in sandstone

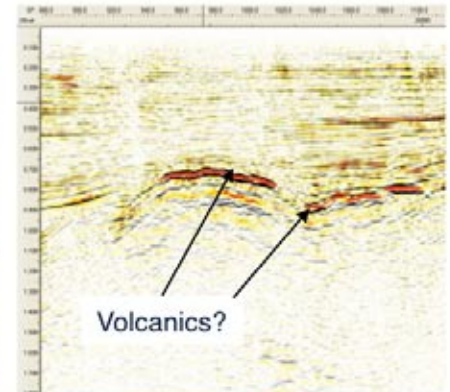
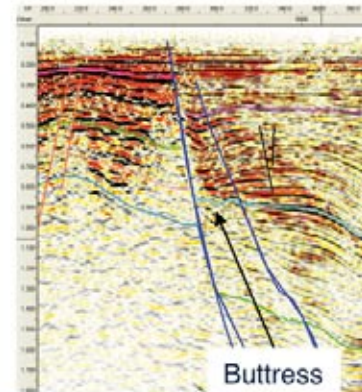
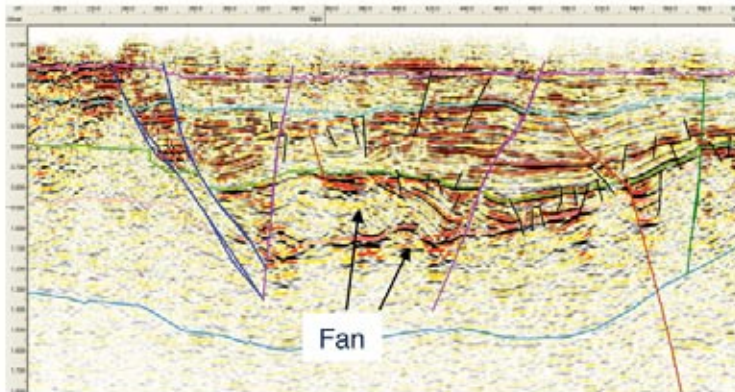
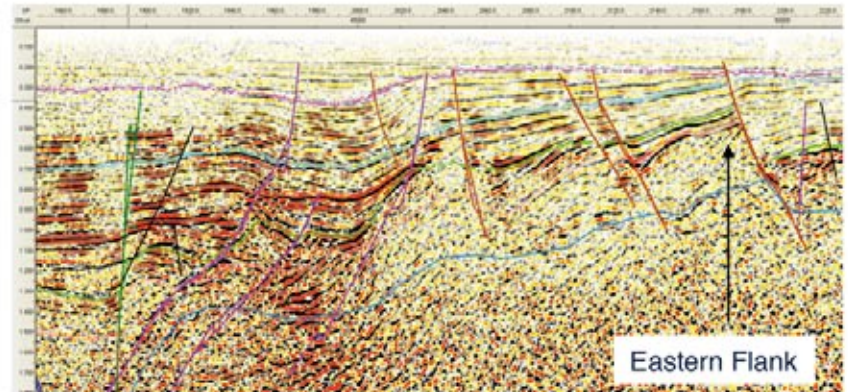
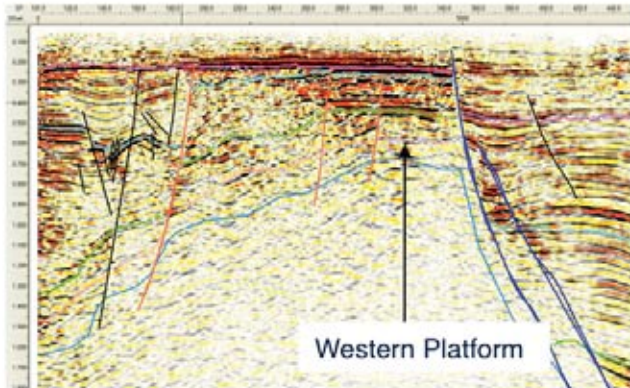


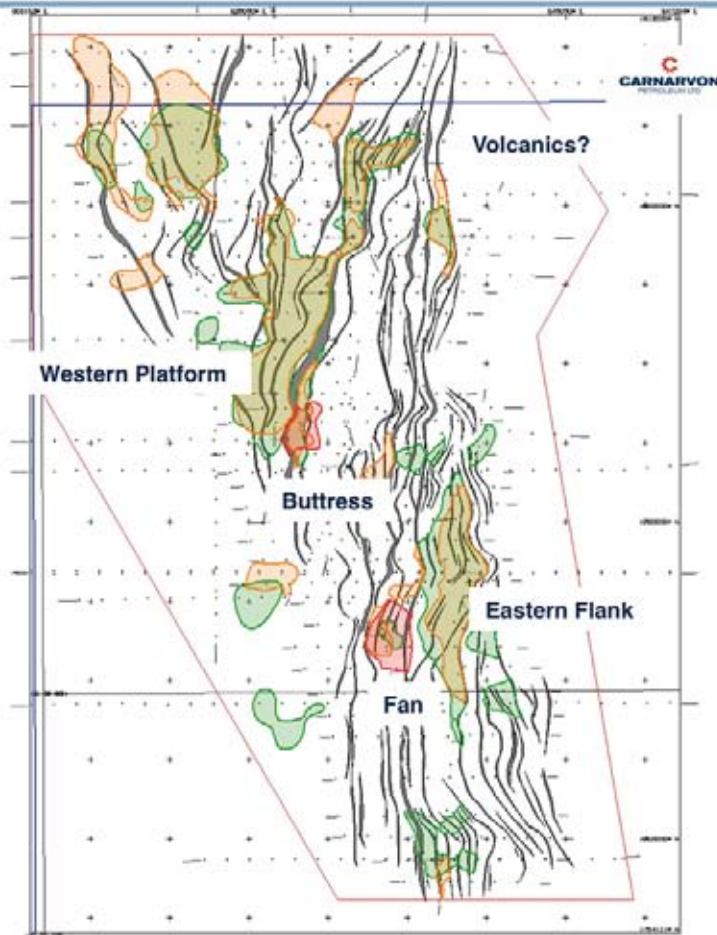
Carnarvon 50% & Operator

L20/50



- 20-30 leads identified
- Nine locations highlighted to commence approvals
- Government, environmental and local permitting approval work has commenced – anticipate conclusion Q3 2010
- Work on securing a rig, contractors and personnel has commenced
- Drilling planned for Q4 2010 – one firm well plus two contingent wells





- One to three wells targeted for drilling in 2010
- Most leads have multiple targets at several locations at depths of less than 1,500 m
- Recoverable volumes per lead (based on 2D seismic) in the range of 3 to 50 mmbbls
- Initial well program to prove up petroleum system – follow up with 3D and development upon success

L52/50 & L53/50

- Exploration concession formally granted February 2010
- The combined area of the two blocks is large, comprising approximately 6,950 km²
- Both permits are lightly explored, with only two deep wells and limited seismic data available
- On trend, and in a similar basin, to an offshore development that flowed up to 10,000 bopd from one well

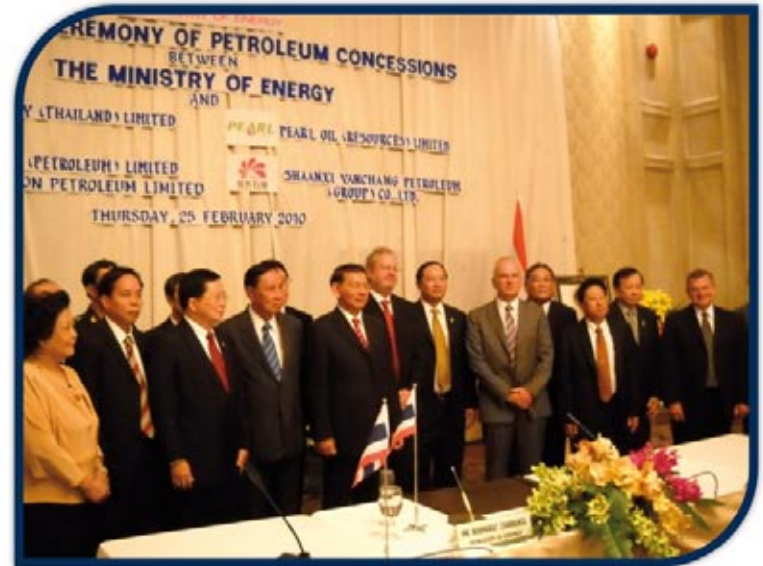


Photo of signing ceremony on 25 Feb 2010

Carnarvon 50%
Pearl Oil Operator

L52/50 & L53/50

Commitments – 1st Three Year Obligation

- geological studies;
- geophysical data acquisition; and
- two wells

total expenditure of around US\$2.6 million gross (US\$ 1.3 million net to Carnarvon).

Work Program - 2010 & 2011

- geological surface mapping; and
- shallow geophysical data acquisition before detailed 2D seismic acquisition in the second year.





Operations – Other Regions

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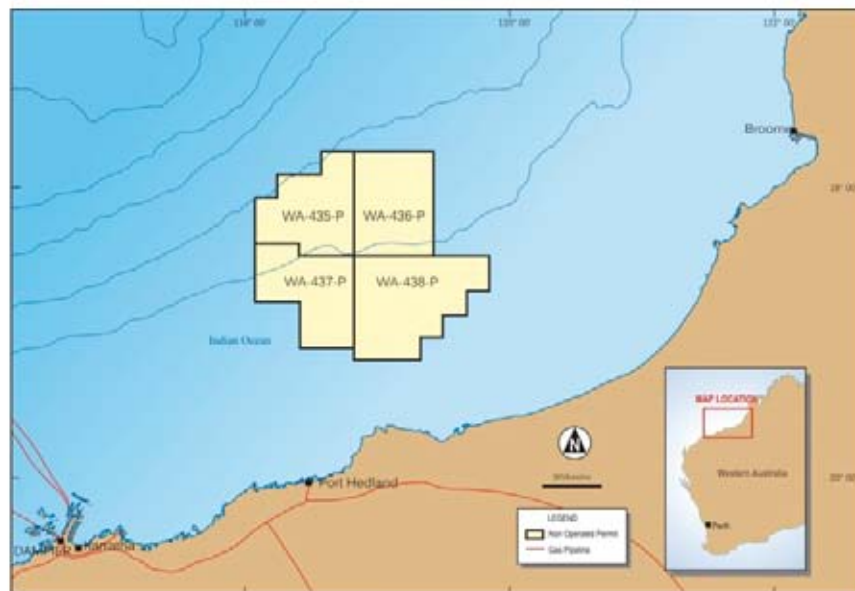
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| 32 | Rangkas PSC (Indonesia) |
| 33 | WA-399-P (Australia) |

WA-435-P, WA-436-P, WA-437-P & WA-438-P

- Four permits acquired during early 2009 when most of the industry was distracted with GFC issues
- Partnership with FINDER Exploration which has a history of successful farm out negotiations
- Acquired for minimal commitments in first three year obligation period

Four large permits secured through gazettal process

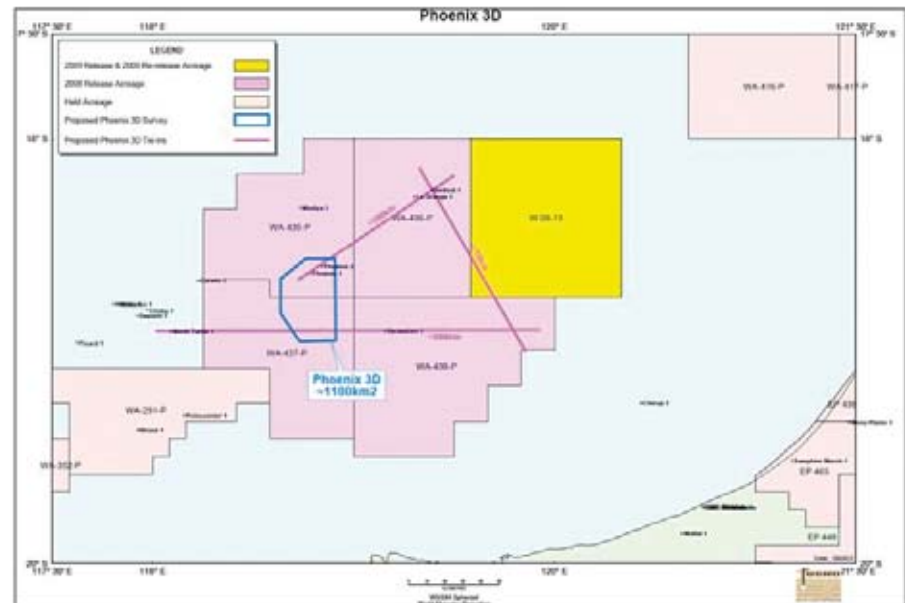


Carnarvon 50%
FINDER Exploration Operator

WA-435-P, WA-436-P, WA-437-P & WA-438-P

- Acquisition of 1,100 km² of **3D** data
- Acquisition of 410 km of **2D** data
- Acquisition of 15,100 km² of aeromagnetic data
- Acquisitions scheduled to commence in May 2010
- 2010 budget of A\$3 million net to Carnarvon

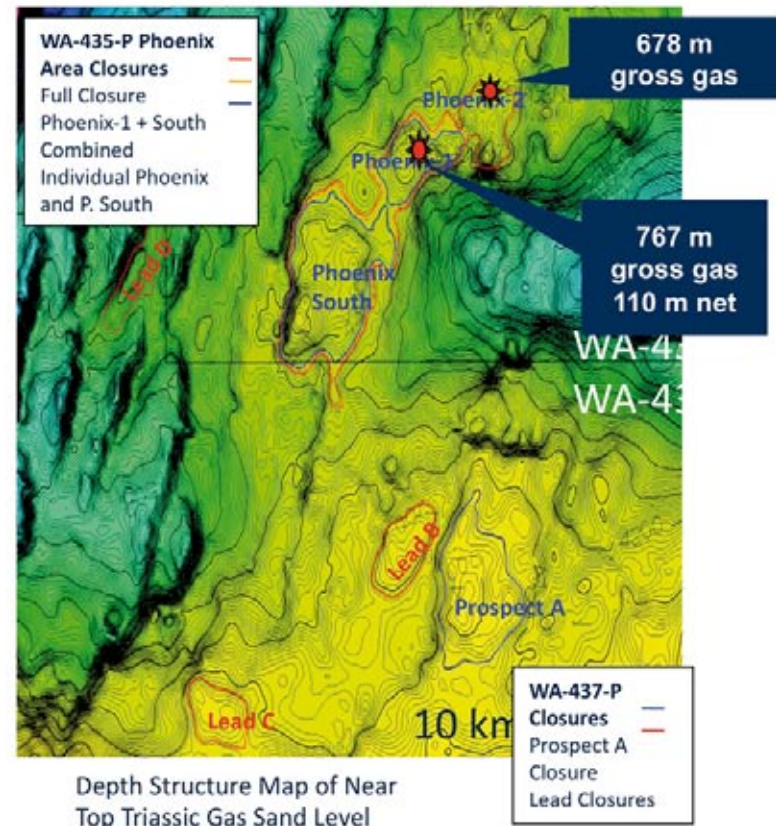
Year one work program underway



Year one work program fulfils the first three years of the permits work commitments

WA-435-P, WA-436-P, WA-437-P & WA-438-P

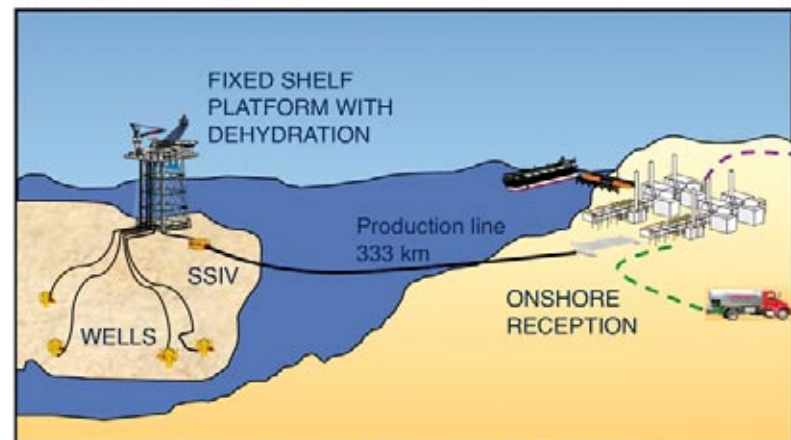
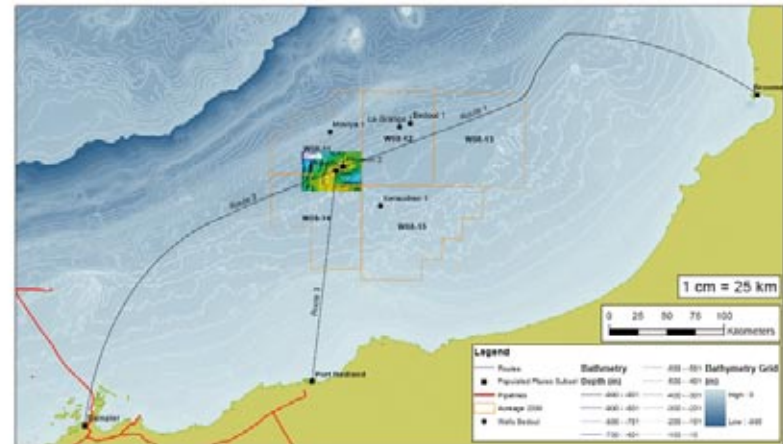
- Total permit area is around 21,000 km² in Bedout Sub Basin (offshore WA)
- The permits are in ~35m to 265m water depth with the key targets in ~100m water depth
- WA-435-P contains the Phoenix gas discoveries
 - Phoenix-1: approx 110 metres net gas bearing section



Depth Structure Map of Near Top Triassic Gas Sand Level

WA-435-P, WA-436-P, WA-437-P & WA-438-P

- Gas discoveries in ~100 m water depth
- Field is within ~250 km of current and proposed onshore LNG plant
- The Joint Venture has a window of several years in which to realise value from the asset
- The Joint Venture intends to seek a farm-in partner prior to drilling a well or wells



Granherne Concept Study

Rangkas PSC

- Carnarvon farmed into the permit in September 2009
- Large permit located onshore West Java, close to Jakarta
 - Last wells drilled 1991
 - Evidence of oil play from seeps and previous exploration
 - Gas discoveries can be commercialised
- Acquisition of up to 500 km of 2D seismic in 2010
- Drilling expected 2011 / 2012



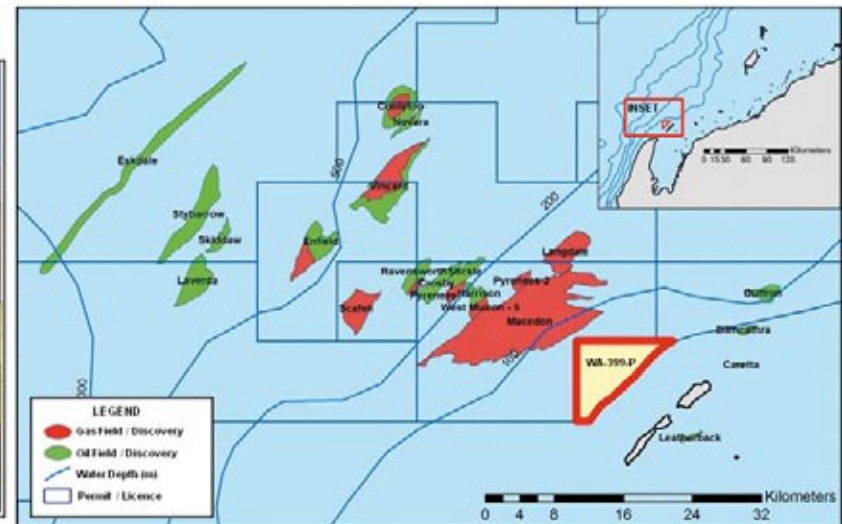
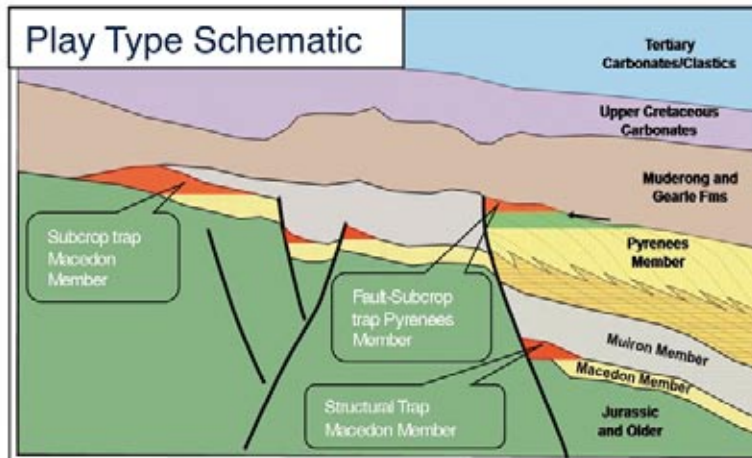
Carnarvon 25%

Lundin Petroleum Operator

WA-399-P

- Located in the Exmouth Sub-basin, ~30km NNE of Exmouth
- 2D acquisition in planning

- Multiple play types
- Nearby and on trend with large oil and gas fields



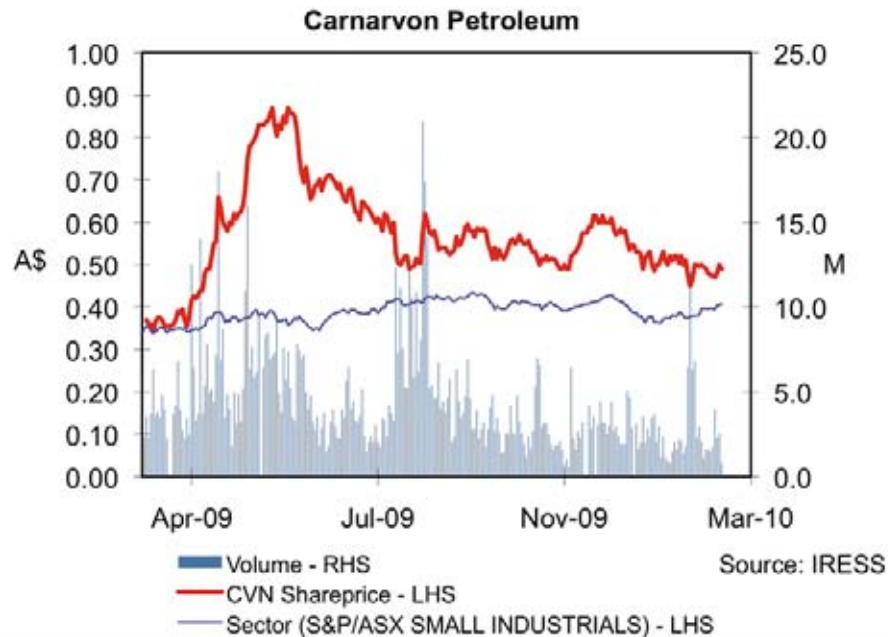
Carnarvon 50% and Operator



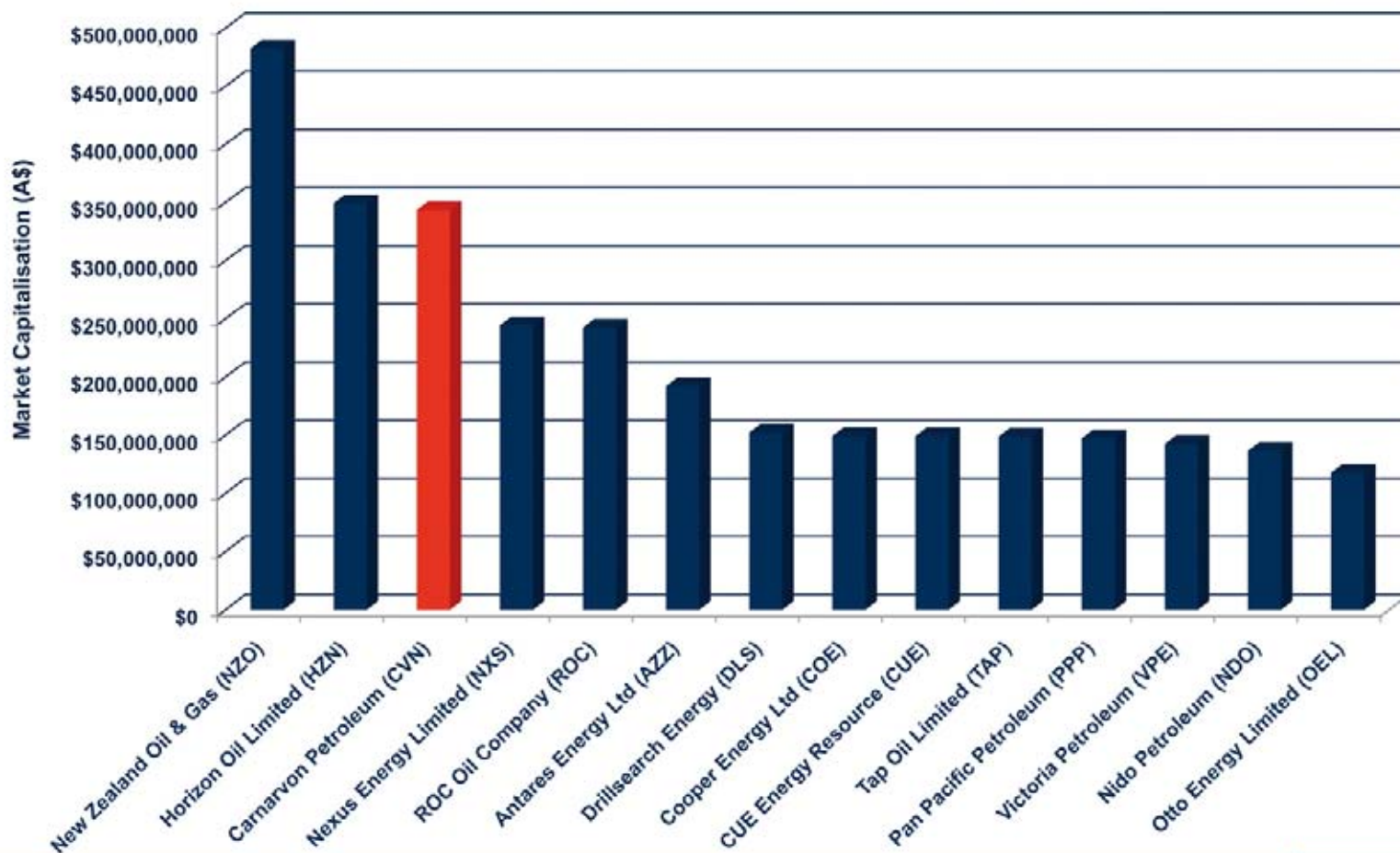
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Capital Structure

• Issued shares	687m	<u>Significant Shareholdings (4 Mar 2010)</u>	
• Options	nil	BlackRock Investment Group	5.2%
• Share price (as at 9 Mar 2010)	<u>\$0.50</u>	Directors & staff	12.2%
• Market capitalisation	344m		



ASX listed E&P Company Comparison



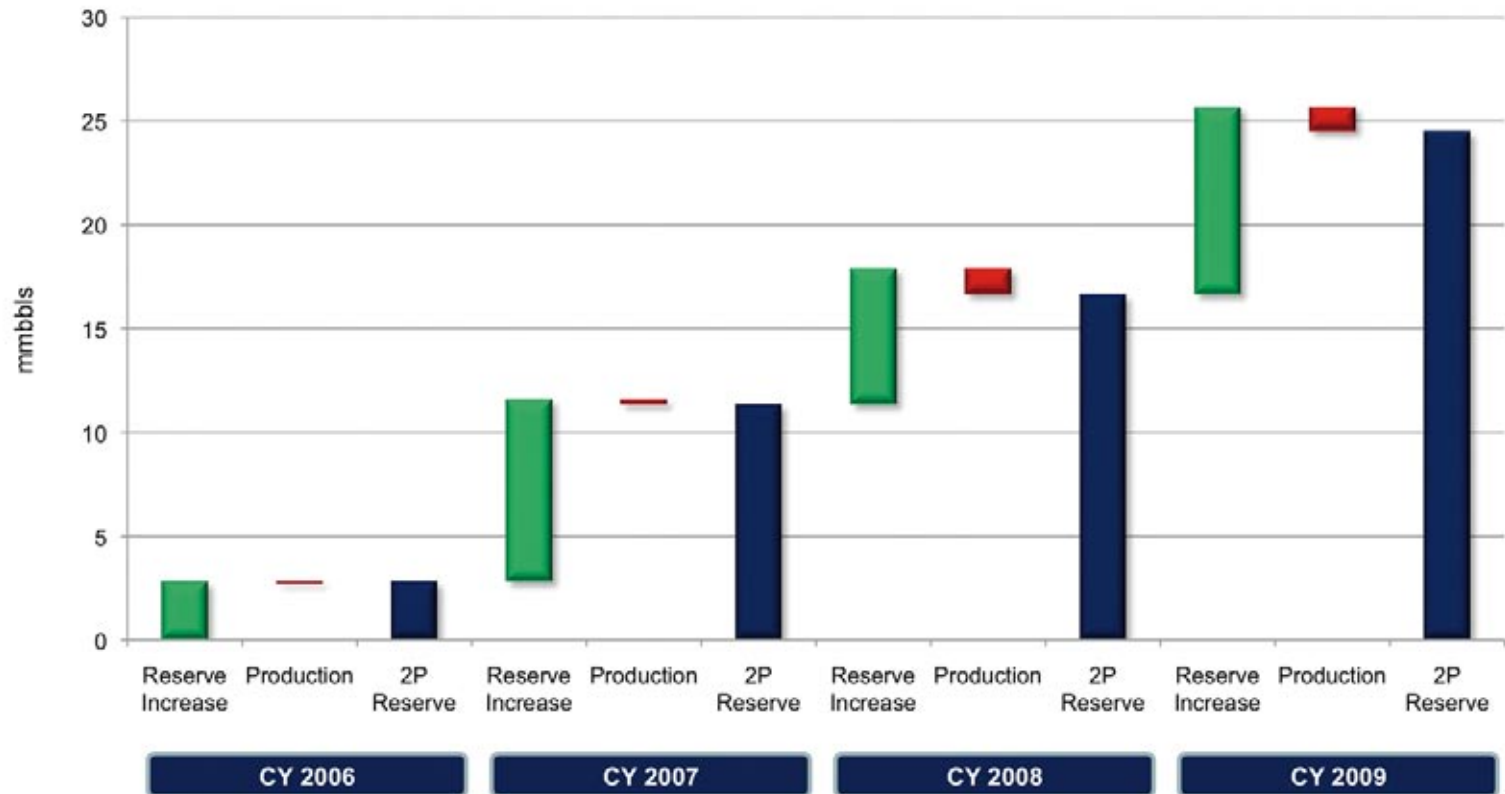
Material position in the mid-cap group

2009 Half Year Financial Summary



	Dec '09 A\$m	Dec '08 A\$m	Comments
Production (net)	430,394	691,391	Production levels impacted by 2009 drilling activities focused on exploration wells (reserves increase)
Revenue	\$31.6m	\$60.0m	Revenue was influenced by production levels; and to a lesser extent oil prices (averaging US\$64/bbl, down 8%) and the exchange rate (AUD/USD averaged \$0.87 compared to \$0.78 in previous half year)
NPAT	\$7.4m	\$21.7m	NPAT was also impacted by production levels. The underlying operational metrics were steady at US\$7.80/bbl for production costs and US\$6.70/bbl for depreciation & amortisation in 2009.
Op Cash Flow	\$17.0m	\$39.5m	Cash flows were strong notwithstanding the change in production levels
Cash	\$28.6m	\$66.2m	The net cash position of \$18.6m was lower than the previous corresponding period (\$24.8m) on account of exploration expenditure and tax costs outlaid between January 2009 and December 2009.
Debt	Nil	Nil	
Tax provisions	(\$10.0m)	(\$41.4m)	

Reserves (net to CVN)



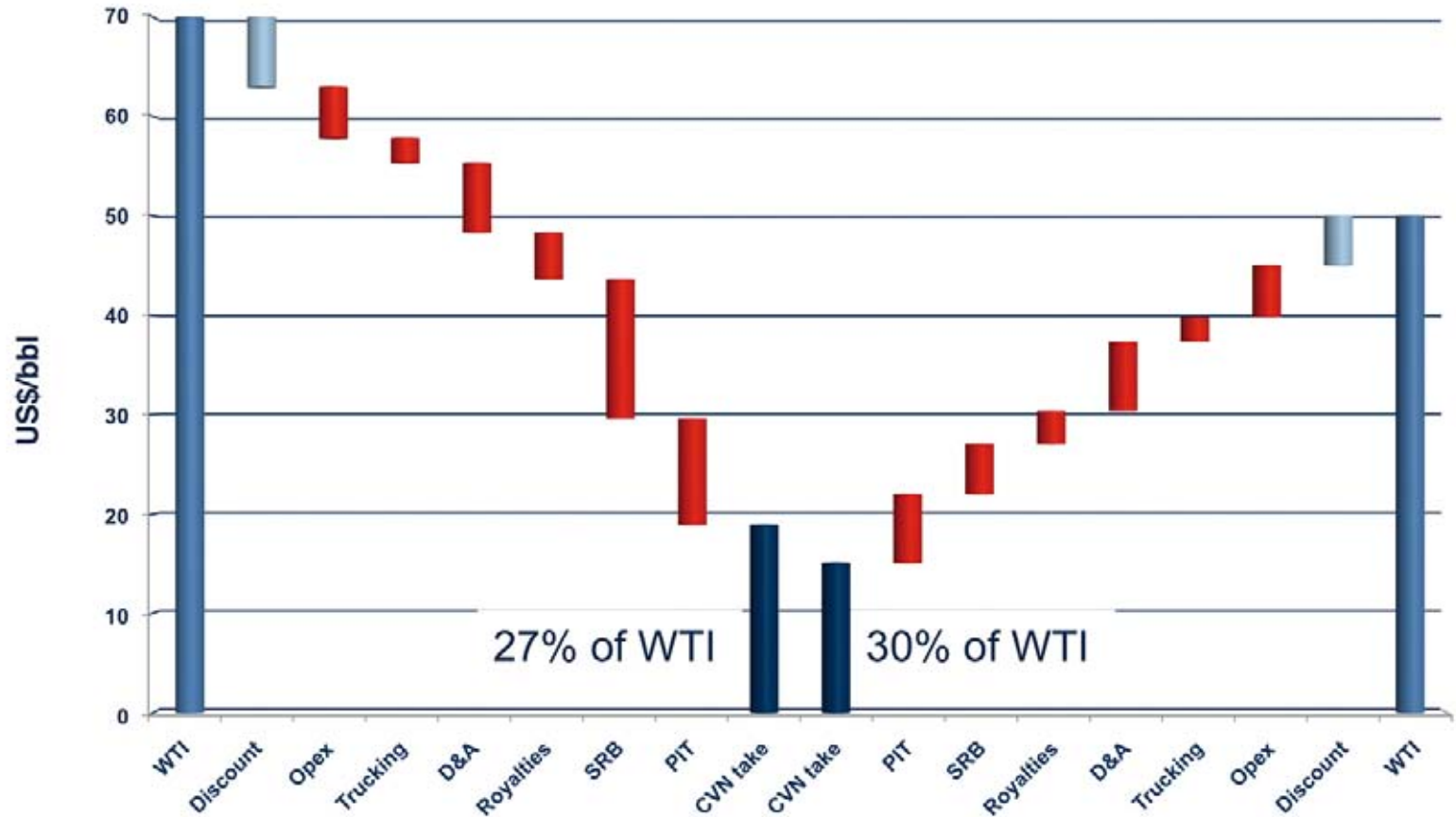
Strong base for further reserve growth with 57mmbbls in 3P reserves

Key Metrics

Production (net)	3,000 bopd
Enterprise value	\$315 m
2P reserves (net)	24.5 mmbbls
3P reserves (net)	57.0 mmbbls
Reserve life	22 years
EV/2P reserves	12.8 times
NPAT / bbl	\$17.3 / bbl
EBIT / bbl	\$39.7 / bbl



Sensitivity Analysis



PIT means provision for Thai income tax

Broker Reports

CARNARVON PETROLEUM LTD



December 2009 Half Yearly Result

Investment Highlights

- **CVN met and profit of A\$1.5m** (down 46% on 2008 half year). CVN's revenue of A\$15.5m (up 47% on the 2009 half year) is a better value price (10.0x) (2008 10.0x) and a stronger A\$15.5m (vs 10.0x) but mostly due to a lower production. CVN's sales fell to 1,380,000 bbls from 1,720,000 bbls. As a result, an operational and financial development strategy. However, CVN finished the period with no debt and 12.5m in cash.
- **Improved ratios forecast:** In previous guidance the 2H targeted average rate of 10.0 bbls per acre (10.0 bbls per acre) rate will be above 10.0 bbls per acre by the year end. Due to the current status of the assets, there is difficulty in the production rates as those depend on the results of various wells that have been largely unproductive to date.
- **Forward drilling plan:** CVN has budgeted A\$25.5m for the 2H 2010 wells over 2010 with the next 3 months to complete development and appraisal drilling of its 11 new wells. CVN will continue to focus on the 11 new wells.
- **Significant reserves upgrade:** CVN's 11th well, 11th well of a production license, a significant proportion of the 11.1 contingent reserves located across the 11th well and 11th well is connected to 11th well.
- **Expansion beyond existing assets:** CVN's project is a high margin operation, set to benefit from a development focus and is equally undervalued. These challenges for CVN to be effectively utilize the cash flow to improve return and beyond the current operations. This aligned with revenue growth to date and exploration efforts commencing in 2010/11, however further growth is required.
- **We maintain our BUY recommendation and price to \$0.77/ASD.** Increased production, reserves growth, cash generation into 2010/11 and long term potential from the CVN assets, including other projects under development.

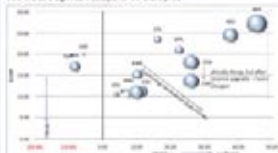
3 Month 2010	BUY
2 Month Rating	BUY
Price	A\$ 0.40
Target Price	A\$ 0.77
12M Total Return	% 41.1
52W VWAP	\$0.50 (CVN \$0.50)
52W High	% 162.7
Free Flow	% 100.0



CARNARVON PETROLEUM LTD

Positive Overshadowed by Stagnant Production

The **CVN** - **Continued Appraisal Success, Production License Granted, Reserves Upgrade in March, Under Capacity Increased**. Carnarvon Petroleum Limited ("Carnarvon", "CVN", "Company") reported strong new sales, averaging 775 barrels of oil per day (up from 600 barrels of oil per day) from four appraisal wells at its recently discovered L14 and 14th well in 11th well during the quarter. CVN's 11th well is located to 11th well from these discoveries in March 2010. In December 2009, the Company also received a production license over these discoveries, and was classified as a significant catalyst for the share price.



A more modest rig has been contracted for 8 months (underwritten), which has a low drag drilling mechanism and is being imported. This should result in an increased number of wells drilled per year (10 in current 20) and a 100% increase in the cost of 20%.

This **CVN** - **Production Plan, Fewer Wells Drilled Than Expected**. Carnarvon reported an 8% drop in average production for the December 2009 quarter, which was an 2,240 barrels of oil per day (vs 2,400 barrels of oil per day) in the September quarter. Revenue was 20% off by the same percentage, as 40% of the price remained stable. The net take for the year was substantially higher and current net production is 1,340 barrels of oil per day. We have downgraded our production and profit by 10% for FY10 in light of production performance to date and future production guidance.

There is No Ugly, Only More Good. The addition of the new rig and a focus on development should result in increased production over the remainder of the calendar year. Guidance for an average of 3,000 net barrels per day for CVN2010 has been given by the Company, which we believe may be conservative.

When production is required, our investment thesis remains based on reserves growth through continued successful appraisal and exploration. We rate CVN as a BUY for both long-term growth and for the near term related associated with the recent reserve upgrade in March. Price target: 70c.

Hartleys Capital Markets Pty Ltd 100 St Georges Terrace, Perth, Western Australia, 6000

CVN

CVN	2009	2010	2011	2012
Revenue (A\$m)	10.0	15.5	18.0	20.0
Operating Profit (A\$m)	1.5	1.5	1.5	1.5
Net Profit (A\$m)	1.5	1.5	1.5	1.5
EPS (A\$)	0.15	0.15	0.15	0.15
Dividend Yield (%)	3.0	3.0	3.0	3.0
Free Cash Flow (A\$m)	1.5	1.5	1.5	1.5
Debt (A\$m)	0.0	0.0	0.0	0.0
Equity (A\$m)	1.5	1.5	1.5	1.5
Market Cap (A\$m)	1.5	1.5	1.5	1.5
EV/EBITDA	10.0	10.0	10.0	10.0
EV/EBIT	10.0	10.0	10.0	10.0
EV/FCF	10.0	10.0	10.0	10.0
EV/Operating Profit	10.0	10.0	10.0	10.0
EV/Net Profit	10.0	10.0	10.0	10.0
EV/Equity	10.0	10.0	10.0	10.0
EV/Debt	10.0	10.0	10.0	10.0
EV/Assets	10.0	10.0	10.0	10.0
EV/Reserves	10.0	10.0	10.0	10.0
EV/Production	10.0	10.0	10.0	10.0
EV/Reserves/Production	10.0	10.0	10.0	10.0
EV/Reserves/Production/Debt	10.0	10.0	10.0	10.0
EV/Reserves/Production/Equity	10.0	10.0	10.0	10.0
EV/Reserves/Production/Debt/Equity	10.0	10.0	10.0	10.0



CVN is a significant catalyst for the share price. The addition of the new rig and a focus on development should result in increased production over the remainder of the calendar year. Guidance for an average of 3,000 net barrels per day for CVN2010 has been given by the Company, which we believe may be conservative.

Bell Potter Research

Date of Issue: 04.09.09

Company Update

Investment Data

Investment Data	CVN
Share Price	\$0.40
52 Week High	\$0.50
52 Week Low	\$0.20
Market Cap	\$15.5m
Revenue	\$15.5m
Operating Profit	\$1.5m
Net Profit	\$1.5m
EPS	\$0.15
Dividend Yield	3.0%
Free Cash Flow	\$1.5m
Debt	\$0.0m
Equity	\$1.5m
Market Cap	\$15.5m
EV/EBITDA	10.0
EV/EBIT	10.0
EV/FCF	10.0
EV/Operating Profit	10.0
EV/Net Profit	10.0
EV/Equity	10.0
EV/Debt	10.0
EV/Assets	10.0
EV/Reserves	10.0
EV/Production	10.0
EV/Reserves/Production	10.0
EV/Reserves/Production/Debt	10.0
EV/Reserves/Production/Equity	10.0
EV/Reserves/Production/Debt/Equity	10.0

Good results, but can do better!
CVN's 2009 profit of \$1.5m was 47% of the 2008 profit of \$3.2m. The share price has dropped from \$0.50 to \$0.40 and we have increased our earnings estimate from \$0.15 to \$0.10. The share price is currently trading at a 10% discount to our estimate of \$0.50. The share price is currently trading at a 10% discount to our estimate of \$0.50.

What we like about it and its upside:
CVN reported an excellent result with \$1.5m profit, a highlight, the 80% of \$1.5m due to lower 'cost of production' from the company's operations in the production area that was not included in the 2009 earnings estimate. We have recommended a 'buy' rating of \$0.77.

Weekly Informer
3 February 2010
Published 3 February 2010



Analyst: Oliver Foster
Published 3 February 2010

Carnarvon Petroleum Ltd (CVN \$0.51) Buy

- **Price Targets:** \$0.77
- **Reasons For Update:** Our DCF
- **What we think:**

Oil production in the Dec Q totalled 500 bbls in 2009 (vs 400 bbls in the Sep Q) from CVN's 40% owned section (14th well).
Exploration and appraisal wells dominated the drilling with more testing strongly (200-800 bbls).
A large production license was on the way and 10th well (200 bbls) was produced.
Current production rates are ~400 bbls/day.
CVN's cash balance stands at \$20m - in line with our estimate.

What we think:
The Q3 production result was weak, as quoted by CVN during the Q and on the last oil well in 2009. However, we rightly expect our forecasts due to higher oil prices.

The point of the new production license is to 2009 production (CVN production) but more than 100% paving the way for more development wells, particularly increasing production and a further upgrade in March. The current CVN 2010 net income estimate will increase by 25-50% to 20-25 million, which would be a significant result.

CVN provided an average production guideline of 1,000 bbls per day for CVN which is what we had assumed previously. If achieved, 1,000 bbls would be a 20% increase on CVN. Significantly indicates of better geological knowledge production history and a lower volume forecast.

Units adds (up to 10%) to the 1,000 bbls forecast average production rate but depends largely on the ongoing drilling success rate at 100% production in production. Upcoming exploration appraisal wells to look out for are 10th well (200 bbls) which is a deep test in the 10th well (200 bbls) compartment currently drilling 1,000 bbls in L21 (currently L14-L8 and 10th well). Development drilling will be a priority in the next couple of months before exploration wells commence.

CVN's exploration appraisal for 10th well (200 bbls) - we have assumed 1,000 bbls which also incorporates expense for other exploration and appraisal wells. Our cash flow forecast over the same period is 14th well (an average of \$1.0M and \$0.5M).
Our activity in 2010 drilling, supported from the Sept Q 10th, 1,000 bbls and the 10th well (200 bbls) (CVN 100%) should provide our future reliance on CVN's cash balance over the course of this year. Larger upside potential is possible from these positions but it's off early days.
Our 10th well price target represents our valuation (10% more) and an expectation of future reserves from the 10th well and 10th well.

Disclaimer and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility to any other person. It is not to be used for any other purpose without the prior written consent of Bell Potter Research Pty Ltd.

Broker Valuations

Company value range \$0.60 to \$0.98

Consensus \$0.77

Exploration and appraisal assets
value range \$0.29 to \$0.40

Consensus \$0.34

Production assets (reserves)
value range \$0.27 to \$0.59

Consensus \$0.41

**Gaffney, Cline & Associates
recently valued production
assets (reserves) at \$0.48**

Thai SRB Explained

- Thailand III regime
- Designed to tax 'excessive profits'
- Applied to each concession area
- Paid annually
- Sliding scale from 0% to 75%
- Higher profit = higher SRB rate

Baht per metre (From)	Baht per metre (To)	Rate per baht metre	Effective SRB (from)	Effective SRB (to)
0	4,800	0	0	0
4,801	14,400	240	0	40%
14,401	33,600	960	40%	60%
>33,601		3840	60%	75%

Source: Hartley's, Department of Mineral Fuels, Thailand



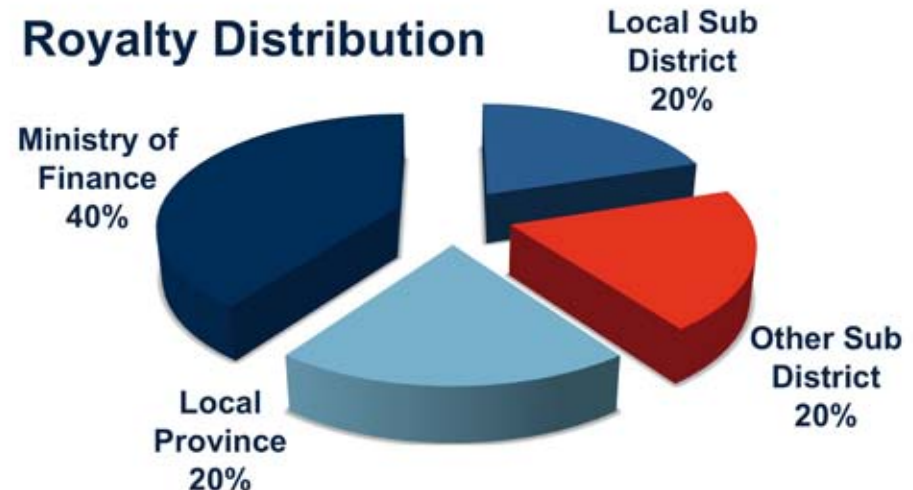
Thai Royalty Explained

- Thailand III regime
- Royalty is applied over each concession area
- Sliding scale from 5% to 15% based on production levels
- Paid on a monthly basis
- Deductible for SRB and corporate tax purposes

Barrels per Day (From)	Barrels per Day (To)	Tiered Royalty Rate	Effective Royalty Rate
0	2,000	0.0500	5
2,001	5,000	0.0625	5.0-5.8
5,001	10,000	0.1000	5.8-7.9
10,001	20,000	0.1250	7.9-10.2
>20,000		0.1500	10.2-15.0

Source: Hartleys, Department of Mineral Fuels, Thailand

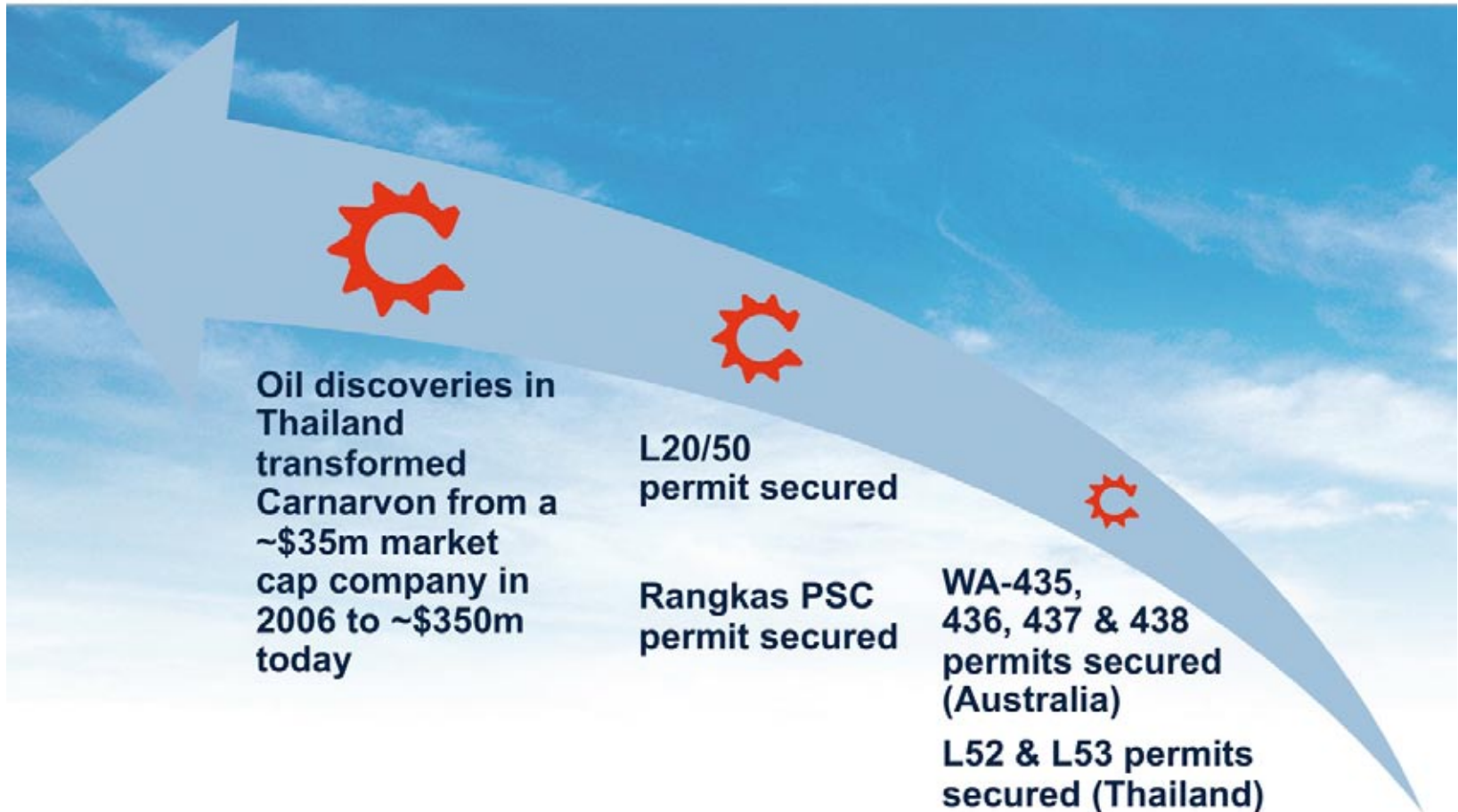
Royalty Distribution



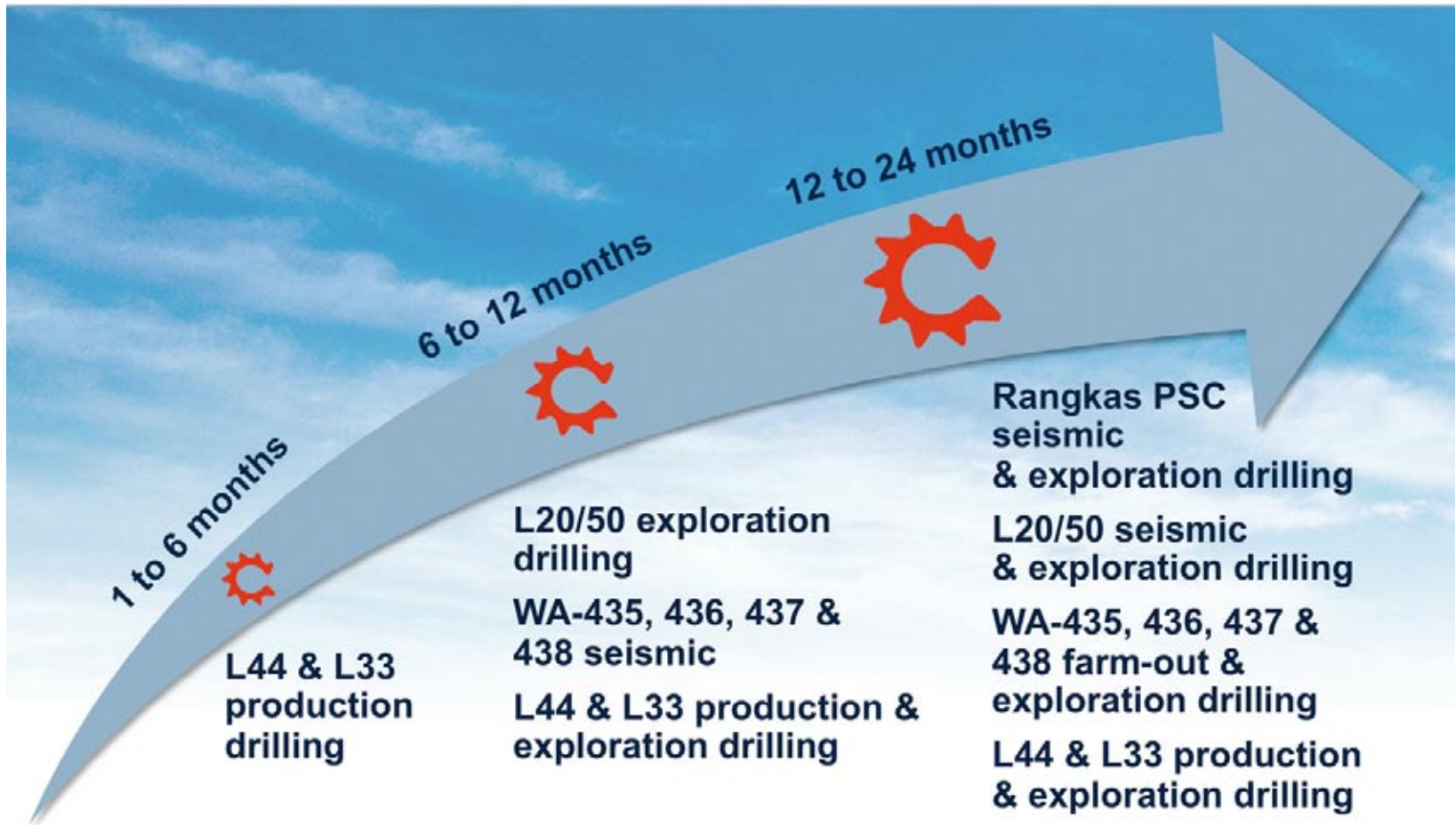
Upcoming Activities

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Past Achievements




Forward Plan



Significant value points over the next 24 months

2010 Work Programme



	Q1	Q2	Q3	Q4
Thailand L44 production	20 to 25 wells throughout the year			
Thailand L44 exploration	3 to 8 wells throughout the year			
Thailand L20/50 exploration				1 to 3 wells
Thailand L52/53 exploration				Geophysical data acq'n
Australia Phoenix exploration		~1,100km ² of 3D & ~410km of 2D seismic acq'n		
Indonesia Rangkas exploration			~500km of 2D seismic acq'n	

Growth Plan



Thailand

Australia

Indonesia

New regions

Exploration

Significant short term and medium term upside within the existing exploration asset portfolio

Appraisal

Significant short term upside

Production

Strong long life cash flows to support growth

- Direct oil & gas asset holding
- Onshore / shallow offshore
- Concentrating on Australasia/SE Asia
- Compelling technical & economic fundamentals
- Experienced team, cash, cash flow and balance sheet



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