

Thailand Operations Update

15 August 2012



Carnarvon Petroleum Limited ("Carnarvon") (ASX:CVN) provides shareholders with an update on its interests in the L33/43, L44/43 and SW1A concessions onshore Thailand where Carnarvon has a 40% equity interest.

Summary

- In late June 2012, EIA approval for an additional 60 wells in the WBEXT area was received;
- On 25 July 2012 the WBEXT sandstone development program commenced with the WBEXT-5C well, which is currently flowing at an expected 120 bopd gross;
- The WBEXT-6A well, also targeting the WBEXT sandstone, is currently in progress;
- Meetings with the Agricultural Land Reform Office (ALRO) commenced on 14 August 2012 to address shut-in production of around 500 bopd;
- The Joint Venture is assessing a number of prospective volcanic targets in order to materially increase production from the current 1,500 bopd;

Sandstone development program

As previously advised, the Joint Venture is undertaking a sandstone focused drilling program within the L44/43 Concession, particularly within the WBEXT area. The first well in this program was successfully completed and is flowing at rates of 120 bopd. Ongoing development of the sandstone reservoirs is expected to steadily increase production and reduce the variability and decline over the longer term.

Agricultural Land Reform Office (ALRO) - Thailand

ALRO approve the use of certain lands for non-agricultural purposes. ALRO previously approved exploration drilling activities in the Bo Rang area, resulting in a number of oil discoveries. A production license was granted by the Department of Mineral Fuels over the Bo Rang area however petroleum production authority from ALRO was incomplete. ALRO required the shut in of the Bo Rang production whilst the matter was reviewed. A series of meetings are expected with ALRO's regional and Bangkok offices to resolve the matter commencing 14 August 2012.

Volcanic prospects

The Joint Venture is assessing a number of volcanic prospects intended to address current production levels. Two prospects scheduled for mid to late September 2012, based on recent evaluation on the previous wells, are high confident sidetrack targets anticipated to complement the steadily increasing production from the sandstone development.

Well Results

NS-8B

NS-8B targeted the sandstone reservoir recently discovered by NS-4A in the southern section of the Na Sanun East field. The well encountered the reservoir sands in a region of low permeability due to high clay content. Consequently, the well did not produce at commercial rates and was shut in.

WBEXT-4A

WBEXT-4A ST2 (targeting the WBV1 and WBV2 volcanics) experienced well bore collapse and was terminated. The Operator is undertaking a technical review of this well and other mechanical well bore issues, before recommending a way forward.

WBEXT-5C

WBEXT-5C was the first of the WBEXT sandstone development wells since environmental approvals were obtained in July 2012. The well encountered oil bearing reservoir sands and was completed as an oil producer. Upon commissioning, the well is producing at an average rate of 120 bopd.

WBEXT-6A

WBEXT-6A is currently running completions with the rig next moving to WBEXT-5B, a further WBEXT sandstone development well. The WBEXT-6A well is targeting oil in the WBEXT sandstone reservoirs.

Remaining 2012 drilling program

The remaining 2012 drilling program is anticipated to be reasonably fluid over the next two months as the new operator completes an overall oil development plan ("ODP").

The next wells in the sequence (including the well currently being drilled) are a further four WBEXT development wells, a sandstone exploration well targeting the oil wet sands intersected in the Na Sanun West exploration well (L44K-D) and two volcanic development wells.

The above program is anticipated to take until mid to late October 2012. The Joint Venture has an indicative plan for further drilling beyond that concentrating on sandstone development and appraisal at WBEXT and Si Thap and high chance of success volcanic appraisal wells. The forward program is however subject to change as the ODP matures.

Upcoming wells

WBEXT Sandstone Development

The WBEXT “E” sand development has commenced following approval of the EIA with the drilling of the WBEXT-5C and WBEXT-6A wells. The results of the initial development well WBEXT-5C at around 120 bopd was within prognosis and bodes well for the continued development of the approximate 4.2 million bbls of identified sandstone oil reserves (gross, 2P) in the WBEXT field across L33/43 and L44/43.

The EIA approved the development of around 60 additional wells across the WBEXT area. The new operator is reviewing the current 10-15 locations already constructed to determine optimum production rates.

L44K-D

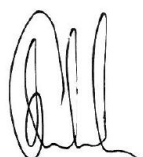
The L44K-D well is targeting a prospective sandstone resource of around 10 million bbls recoverable (most likely). The well is located in the vicinity of the NSW-A and NS-4A wells which both intersected oil bearing sands. Seismic amplitude mapping on the targeted sandstone horizon supports correlation between the discoveries and the exploration target.

The NSW-A exploration well encountered a tight primary volcanic objective with encouraging oil shows in sands below the volcanic zone. Well bore conditions did not allow wire line logging despite repeated attempts however follow up potential was recognised.

The NS-4A exploration well encountered an oil bearing sand while targeting the volcanic interval below the main volcanic reservoir of the Na Sanun oil field. The sand produced 250 BOPD gross on test. The equivalent sandstone interval was then perforated in the NS-4 well which then produced an additional 220 bopd gross.

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Yours faithfully



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