



Capital Raising

October 2012

**SOUTH EAST
ASIA**

AUSTRALIA



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Overview of equity raising

Equity raising structure and use of proceeds

Summary	<ul style="list-style-type: none"> ▪ Carnarvon Petroleum Limited (“Carnarvon” or the “Company”) will raise up to approximately \$15.0m million through the placement of approximately 182.9m new ordinary shares (“New Shares”) to selected institutional and sophisticated investors (“Institutional Placement”). ▪ The Institutional Placement will consist of an unconditional tranche to raise approximately \$8.4 million, and a conditional tranche to raise \$6.6 million subject to shareholder approval
Use of proceeds	<ul style="list-style-type: none"> ▪ Proceeds will be used to fund the forward looking exploration and development program, including: <ul style="list-style-type: none"> ▪ Thailand L44/43 and L33/43 development drilling program and technical work; and <ul style="list-style-type: none"> ▪ Includes 12 new wells, 15 work overs, the updated oilfield development plan, fracture network studies and water flooding studies ▪ Offer costs and general working capital.
Structure	<ul style="list-style-type: none"> ▪ Placement to selected institutional and sophisticated investors plus a Share Purchase Plan (“SPP”)
Placement size	<ul style="list-style-type: none"> ▪ \$15.0m non-underwritten <ul style="list-style-type: none"> ▪ \$8.4m unconditional ▪ \$6.6m conditional subject to shareholder approval <ul style="list-style-type: none"> ▪ The directors intend to bid into the bookbuild for shares, subject to shareholder approval
Placement price	<ul style="list-style-type: none"> ▪ \$0.082 per New Share ▪ 14.6% discount to last close at 2 October 2012 ▪ 17.8% discount to 5 day VWAP at 2 October 2012
Placement shares to be issued	<ul style="list-style-type: none"> ▪ 182.9m shares <ul style="list-style-type: none"> ▪ 102.9m unconditional ▪ 80.0m conditional subject to shareholder approval ▪ New shares will rank equally with existing shares
Share Purchase Plan	<ul style="list-style-type: none"> ▪ Open to eligible Australian and New Zealand shareholders ▪ SPP is capped at \$5 million for a maximum of \$15,000 per eligible shareholder <ul style="list-style-type: none"> ▪ Subject to demand, Carnarvon reserves the right to place the SPP shortfall to selected institutional and sophisticated investors ▪ SPP booklet to be mailed to eligible shareholders shortly ▪ Provides ability for Carnarvon’s strong retail shareholder base to participate in the equity raising

Work program to June 2013

Funding sources and uses

Sources and Uses	(A\$m)
Thailand development drilling program and technical work	12.0
Offer costs and general working capital	3.0
Total capital expenditure estimate	15.0
Equity raising proceeds	15.0 ¹

Note: 1. Assume gross proceeds to Carnarvon of the Institutional Placement are A\$15m. Additional proceeds raised through the SPP will be used to fund further technical work in Thailand.

Carnarvon's work program to June 2013 will be fully funded through this equity raising, existing cash reserves and operating cash flows

Work program highlights

- **Thailand L44/43 and L33/43**
 - Development drilling program of 12 new wells and 15 work overs with an expected exit rate of 3,000 bopd
 - Oilfield development plan, fracture network studies and water flooding studies.
 - 100km² 3D seismic acquisition to enhance the prospectivity of currently mapped leads into 70 to 80 drilling locations
 - Drill unexploited prospects identified on current 3D data containing 50mmbbls net to Carnarvon
- **North West Shelf**
 - Licence Zeester 3D data in the Phoenix area enabling Carnarvon to accelerate the development of this potential oil & gas fairway
 - Participate in the drilling of a well in WA-399-P
- **Corporate**
 - Invest in Carnarvon technical and management teams to ensure it has the capability to mature its existing assets and pursue opportunities as they arise

Indicative equity raising timetable

Institutional Placement

Institutional Placement opens	<ul style="list-style-type: none">• Wednesday 3 October 2012
Carnarvon shares expected to recommence normal trading	<ul style="list-style-type: none">• Thursday 4 October 2012
Settlement of unconditional placement shares	<ul style="list-style-type: none">• Thursday 11 October 2012
Allotment of unconditional placement shares	<ul style="list-style-type: none">• Friday 12 October 2012
Meeting of Carnarvon shareholders to approve conditional placement	<ul style="list-style-type: none">• Friday 16 November 2012
Settlement of conditional placement shares	<ul style="list-style-type: none">• Thursday 22 November 2012
Allotment of conditional placement shares	<ul style="list-style-type: none">• Friday 23 November 2012

Share Purchase Plan (“SPP”)

Record date to determine right to participate in SPP	<ul style="list-style-type: none">• 7.00pm Wednesday 3 October 2012
SPP opens	<ul style="list-style-type: none">• Friday 12 October 2012
SPP closes	<ul style="list-style-type: none">• 5.00pm Friday 26 October 2012
Allotment of New Shares under the SPP	<ul style="list-style-type: none">• Friday 2 November 2012
Trading of New Shares and despatch of holding statements under the SPP	<ul style="list-style-type: none">• Tuesday 6 November 2012

Note: Times refer to the time in Sydney, Australia. Offer timetable is indicative only and subject to change without notice.

- ✓ **Build sustainable production**
 - Plan to double production by 31 Dec 2012 is deliverable
 - Production from sustainable sandstone reservoirs
 - Aligned operator and collaborative working environment

- ✓ **Maximise free cash flows and earnings**
 - From Thailand production

- ✓ **Invest in growth assets**
 - **Thailand** oil field development and new exploration
 - **North West Shelf permit** drilling targeting gas, condensate and oil
 - New **strategic initiatives**



Investment highlights

Thailand

- **Proven oil present**
 - 30 mmbbls gross (12 mmbbls net CVN) on 2P basis
 - Production 1,400 bopd gross (550 bopd net to CVN)
- **Significant unexploited opportunities**
 - 125 mmbbls gross (50 mmbbls net CVN) in identified prospects on 3D seismic
- **90% of acreage still in exploration phase**
 - Both sandstone and igneous potential
- **Leverage to come from new operator and enhanced CVN technical team**
 - Driving a new approach

Western Australia

- **Proven gas province**
 - Phoenix-1 discovery
- **Two Tcf prospects (gross)**
 - Ready to drill on 3D seismic
 - Potential liquids rich gas
- **Extensive opportunity in 28,000km² of permit holdings**
 - Portfolio of oil and gas leads
 - Large equity interests held
- **Farm-out to oil and gas major**
 - To operate exploration activities
 - To cover cost of exploration well(s)
 - Finalisation of documentation expected prior to end of 2012



Snapshot

- Short term oil production growth from Thailand operations
- Near term North West Shelf (NWS) drilling targeting gas + condensate
- Long term exploration opportunities in Thailand & NWS

Thailand assets

- ✓ includes a 40% interest in onshore oil production and exploration over 1,000km².
- ✓ **Valued at 16c** per Carnarvon share based on Towngas acquisition
- ✓ **Valued at 32c** per Carnarvon share based on independent 2P reserves valuation

North West Shelf assets

- ✓ includes a 50% interest in four exploration blocks containing discovered gas.
- ✓ **Farm-out** being finalised to fund well(s)

Significant investment to come from Majors in offshore Western Australia

- ✓ Global majors set to drill 23 wells in the next 5 years
- ✓ Carnarvon has first mover advantage in frontier region

Key metrics

	As at 2 Oct 2012	Impact of offer ¹	Pro-forma
Ordinary shares	693.4m	182.9m	876.3m
Market capitalisation @ A\$0.096/share	\$66.6m	\$15.0m	\$81.6m
Cash (30 Jun 2012)	\$7.1m	\$14.2m	\$21.3m
Debt	-	-	-
2P Reserves	12.1MMbbls	12.1MMbbls	12.1MMbbls

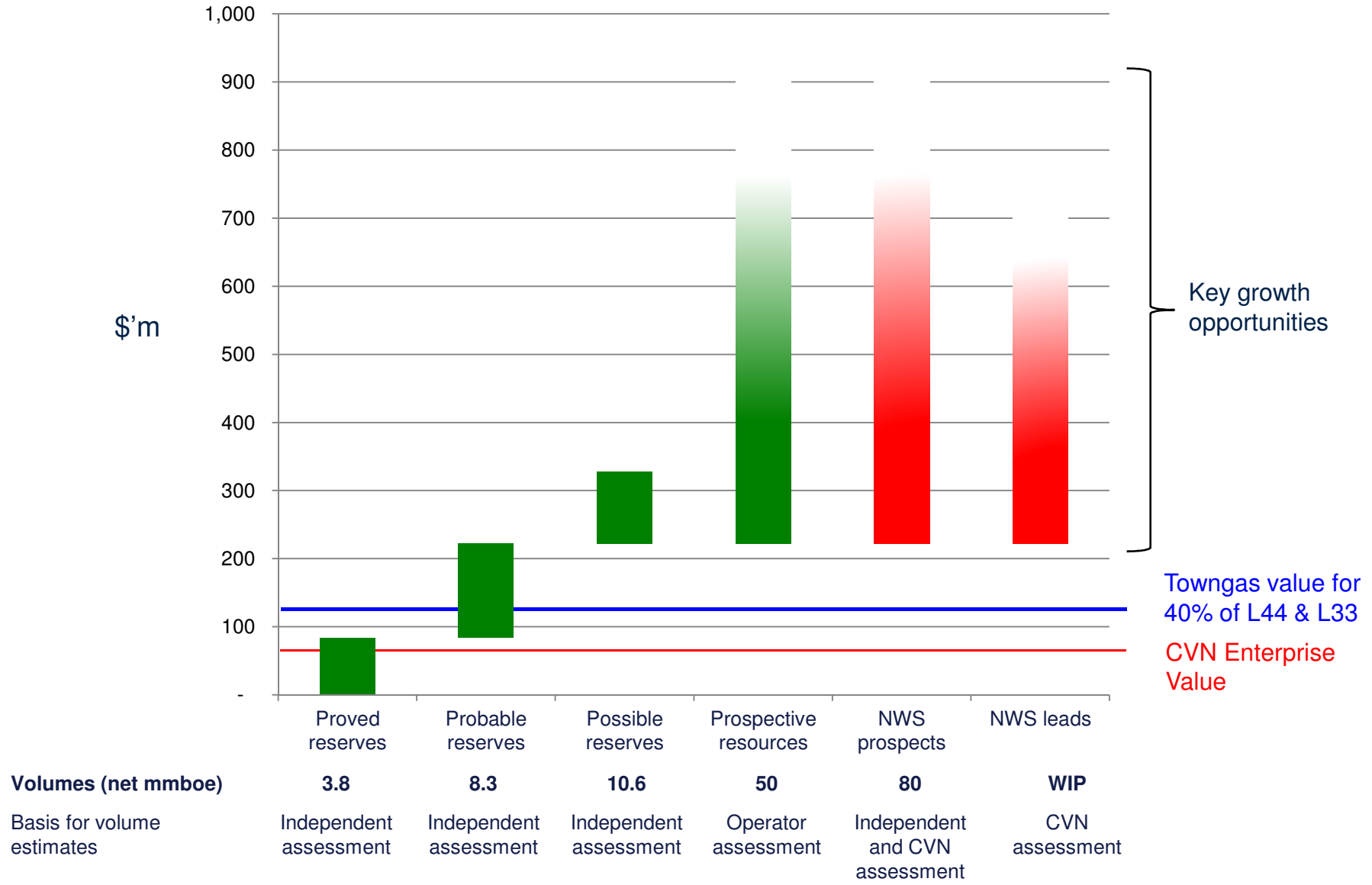
Performance overview

A\$m	FY12A	FY11A	FY10A
Production (bbls)	321,968	731,544	868,450
Revenue	30.4	54.8	65.2
Exploration write off	(3.4)	(11.2)	0.4
NPAT	(2.5)	2.2	14.4
Net operating cashflow	11.2	23.5	32.3
Capital expenditure	19.3	34.5	34.5

150mmboe
Potential in current portfolio
At least 25% being tested in 2013

Note: 1. Assumes gross proceeds to Carnarvon of the Institutional Placement are \$15m. Additional funds raised through the SPP will change the impact of the offer on key metrics accordingly.

Investment proposition



Thailand activity

Forward work program

- Develop WBEXT Sandstone
- Acquire additional 3D Seismic in L33
- Pursue stable 4,000 to 5,000 bopd from each of the two producing concessions

Key Activity

	Dec Qtr 2012	Mar Qtr 2013	Jun Qtr 2013	Sept Qtr 2013
Drill – WBEXT Sandstone wells	7-8 wells	7-8 wells	Based on ODP	
Develop – Overall development plan				
Deliver – WBEXT waterflood			Based on ODP	
Acquire - 3D seismic in L33/43		100 km ²		
Drill – Infill and appraisal igneous wells	1 well		Based on ODP	
Develop - exploration strategy				
Drill – exploration wells		1 well		Based on ODP

Work program to Dec 12 developed in collaboration with new operator

North West Shelf activity

Forward work program

- Complete Farmout of Phoenix South & Roc prospects (in WA-435-P & WA-437-P)
- Licence additional 3D seismic data to commence next round of farm-outs
- Drill Phoenix South and Roc prospects
- Pursue oil play across the blocks

Key Activity

	Dec Qtr 2012	Mar Qtr 2013	Jun Qtr 2013	Sept Qtr 2013
Complete Farmout Phoenix South & Roc				
Drill – Phoenix South well (indicative)				
Drill – Roc well (indicative)				
License Zeester 3D				
Commence farm out of the other permits				



Thailand

L44/43 and L33/43

(40% CVN)

Hong Kong and China Gas Limited (“HKCG”)

- Acquired a 60% interest in L44/43 and L33/43 in June 2012 for US\$170m
- Equivalent to 16c per Carnarvon share on a look-through basis
- HKCG acquired the interest through its energy business ECO
- HKCG is listed on the Hong Kong stock exchange with a market capitalisation around US\$20bn

ECO has interests in 22 energy projects covering:

- conventional oil & gas production
- unconventional gas production
- gas to liquids technology
- coal-based chemicals
- resource exploitation in coal

Price looks fair after cross-referencing to Wood Mackenzie’s estimates...
We note that this is the second overseas E&P investment for HKG, and this time the one in Thailand is a majority stake (rather than a minority interest for the Madagascar project). Based on the estimates by Wood Mackenzie made in July 2011, the project has recoverable reserves (2P, proven+probable) of 27m barrels as at beginning 2011 with no gas production. The remaining value of the project is c.US\$360m (c.US\$220m based on 60% attributable stake), after

Deutsche Bank Research 23 July 2012

New team

Geological Group:	
Qualification	Professional Experience
Senior Geologist with fractured reservoir oil field experience	25 years
Senior Geologist with fractured reservoir oil field experience – expertise in log interpretation	25 years
Senior Geologist with fractured reservoir oil field experience – expertise in log interpretation	28 years

Exploration Group	
Qualification	Professional Experience
Doctorate in Geophysics	27 years
University Professor, Doctorate in Geophysics	30 years
Doctor, Drilling Research Institute	25 years

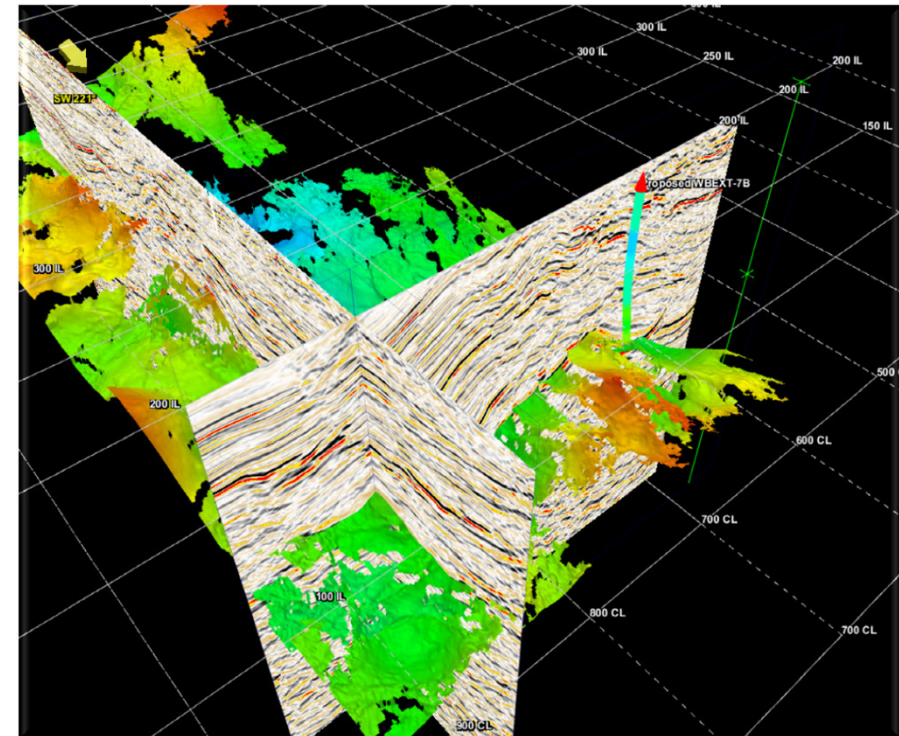
Engineering Group	
Qualification	Professional Experience
Senior Engineer, Petroleum Engineering	27 years
Drilling Engineering	11 years
Doctor, Petroleum Engineering	6 years

Production Group	
Qualification	Professional Experience
Principal Production Engineer	27 years
Senior Engineer of operating oil field	23 years
Petroleum Engineering, Reservoir Engineering	11 years

New Approach

Illustrating the operator's new approach to WBEXT sandstone development:-

- **Sub-surface well locations**
 - in WBEXT sandstone area have been revised
- **By operator's multi-disciplined team**
 - covering geology, geophysics and engineering
- **Based on 3D seismic data & well ties**
 - from analysis of past wells
- **With extensive new testing programs**
 - Over multiple intervals collecting more information than occurred previously
- **Contributing to 3,000 bopd by year end**
 - First well drilled on new sub-surface location flowing at steady 100 bopd (gross)
- **With follow on plans for water flood**
 - For early 2013 to sustain 3,000 bopd (gross)



Short term work program

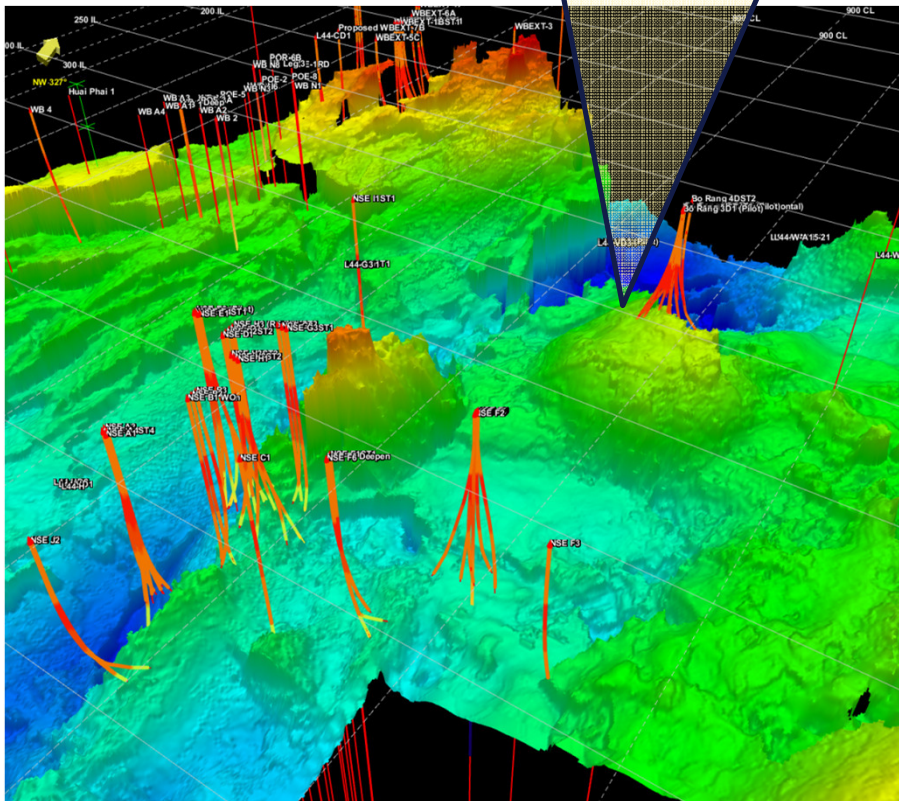
- **Sandstone development**, commenced end July 2012 to drill up to 10 wells in 2012
- Minimum **2 infill fractured igneous** wells
- At least one multiple-target **exploration well**
- Increasing the list of **workover initiatives** in 100+ shut-in wells

... and anticipated production growth ...

Area of production	Gross anticipated production
Base production	1,400 bopd
ALRO temporary shut in	500 bopd
2012 Sandstone campaign	800 bopd
2012 Workover campaign	100 bopd
2012 Igneous redevelopment	200 bopd
2012 Exploration activities	Risked Exploration
Dec 2012 exit rate	3,000 bopd

Reintroducing shut in production

ALRO subsurface area dominated by Bo Rang dome – connection to aquifer by edge drive results in no early water ingress



- Working to reintroduce production by November 2012
- Flowing 500 bopd (gross) when production shut-in
- Agricultural Land Reform Office (“ALRO”) authorised exploration wells but unclear on “development”
- Wells exhibit unique flow regime and anticipated to come back online at higher “flush production” rates

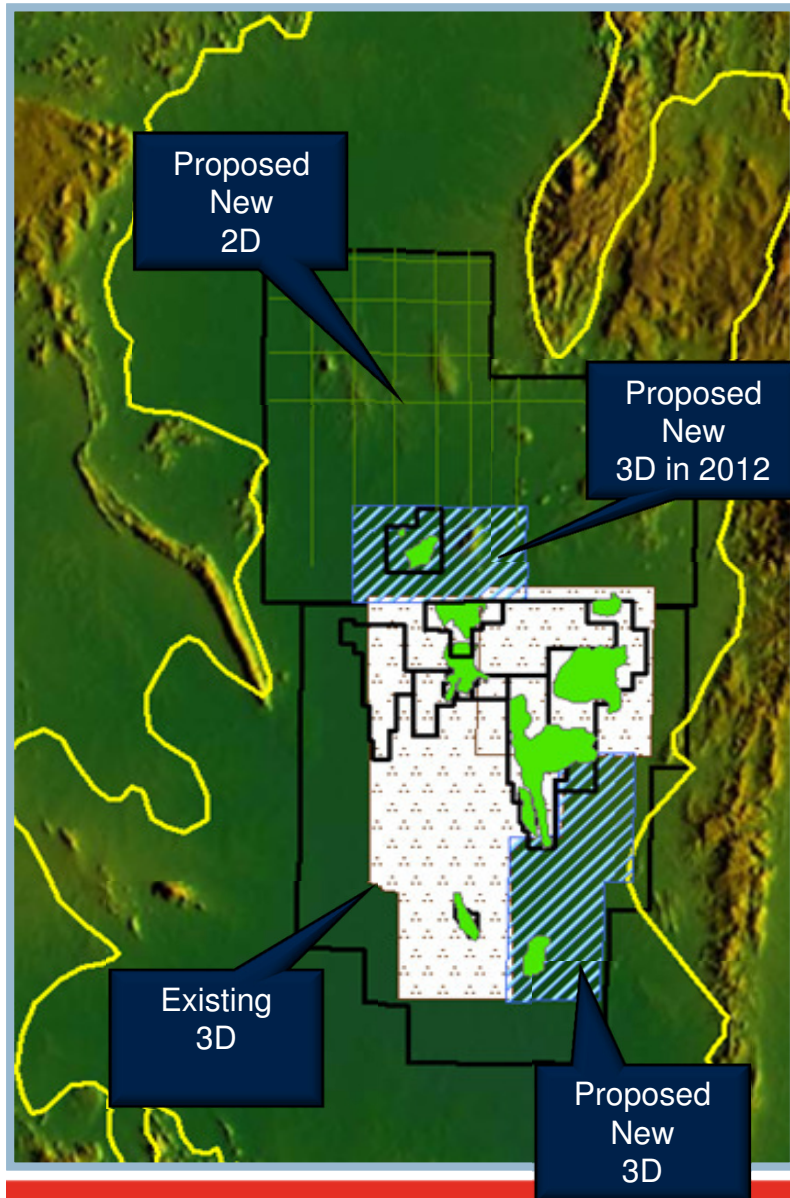
Financial outcomes at 3,000 bopd



	Gross per month	Net to CVN per month
Revenue (using \$100/bbl)	\$9,000,000	\$3,600,000
Fixed operation costs	(\$1,250,000)	(\$500,000)
Trucking costs	(\$250,000)	(\$100,000)
Royalties	(\$450,000)	(\$180,000)
Net operating cash flow before tax	\$7,050,000	\$2,820,000
Discretionary exploration and development expenditure	(\$3,750,000)	(\$1,500,000)

Moving into 2013 Carnarvon and Operator will be focused on the new Overall Development Plan

Overall Development Plan (ODP)



The opportunity:

- **30 million bbls in 2P reserves (gross)**
 - 100km² of production licenses
- **125 million bbls prospective resources (gross) within existing 3D**
 - 365 km² 3D seismic acquired to date
- **Untested areas within central oil-prone basin**
 - 1,000 km² of exploration acreage with minimum 5 year remaining term

New Operator has experienced multi-disciplined technical people working on an ODP

Carnarvon knowledge and experience being utilised by Operator

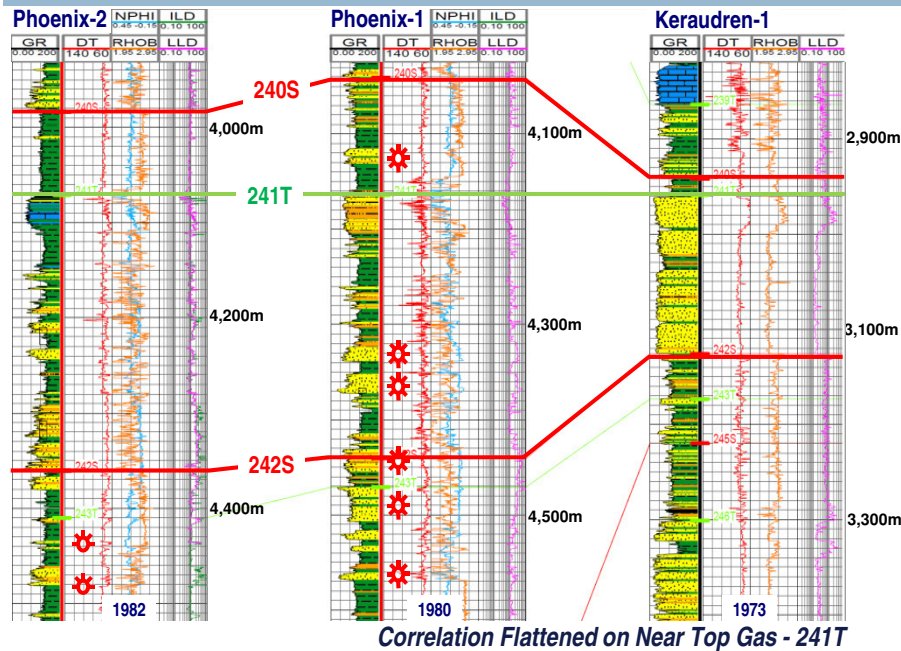


North West Shelf

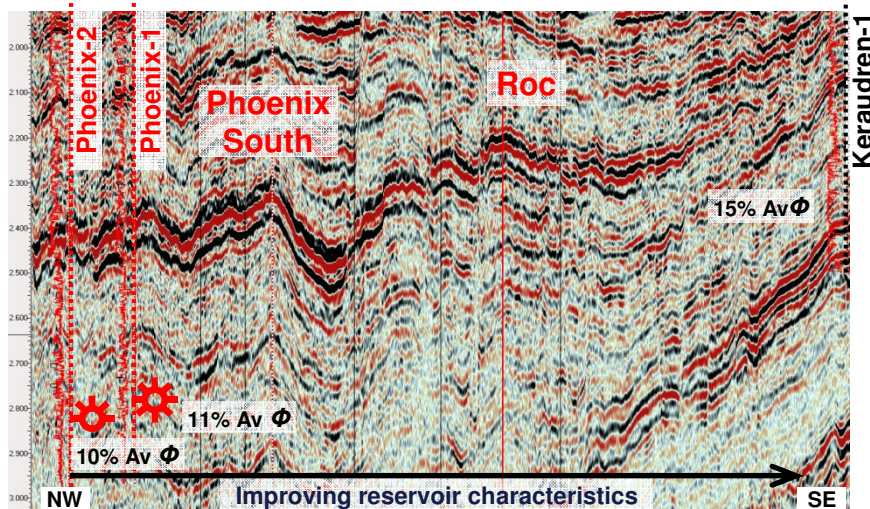
WA-435-P & WA-437-P

(50% CVN)

Robust Phoenix South and Roc Prospects

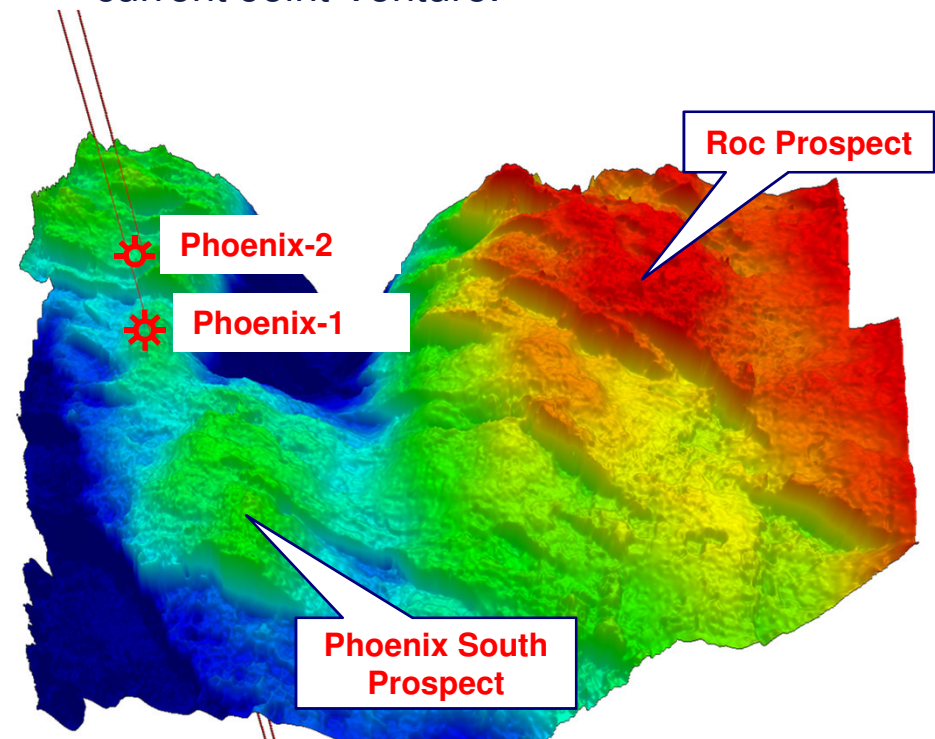


Correlation Flattened on Near Top Gas - 241T



2010 Phoenix 3D/2D seismic data – courtesy of Fugro

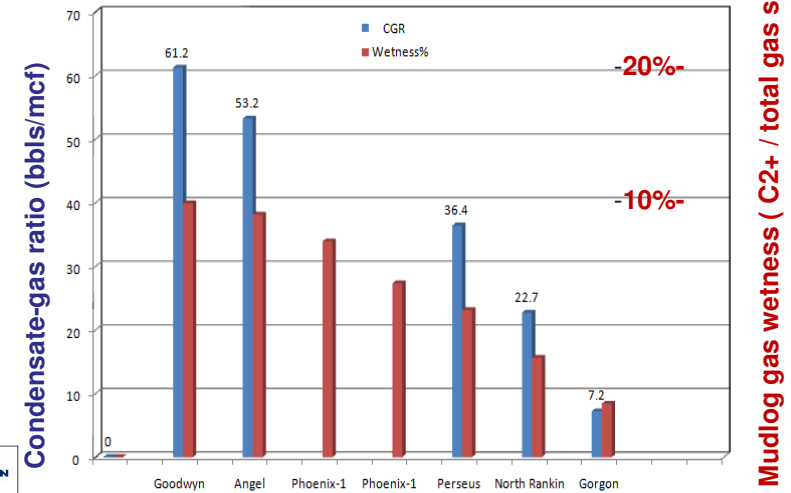
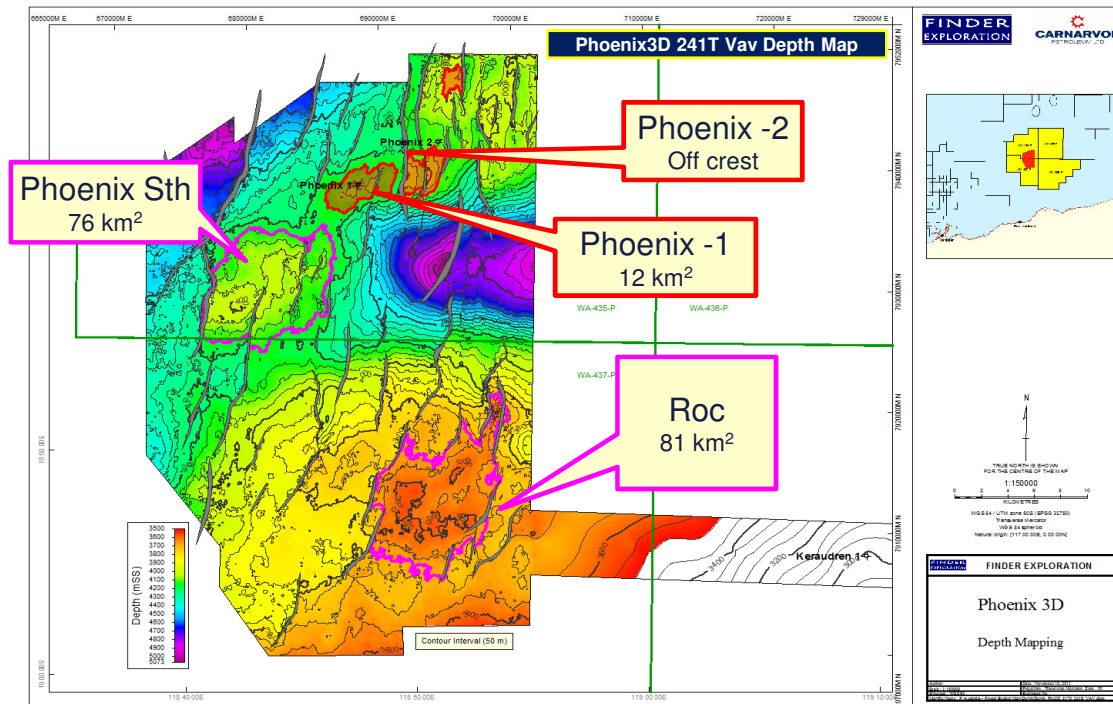
- Prospects independently assessed by consulting firm ISIS from detailed technical work undertaken by the Joint Venture.
- Technical work incorporated well results from the Phoenix-1 gas discovery and modern 3D seismic data acquired by the current Joint Venture.



Phoenix 3D seismic survey near top gas depth surface

Significant Volumes

- **Proven Triassic gas resource** with Gas Initially In Place (“GIIP”) estimate of 870 BCF (highside) at Phoenix-1.
- **Prospect highside GIIP estimates** for Phoenix South (~5.5 TCF) and Roc (~5.5 TCF).
- **Potential for condensate** (from gas wetness ratio) of 36-53 million bbls per TCF.



Phoenix and NW Shelf Gas-condensate Fields*

*Source: WA govt cumulative field production @ 31 December 2010.

- Phoenix well mud logs indicate **presence of gas ‘wetness’**.
- Comparison with mudlogs from **condensate-rich NWS gas fields** suggests significant recovery of condensate likely.
- Best comparison of likely condensate / gas ratio is between **Perseus & Angel fields**.



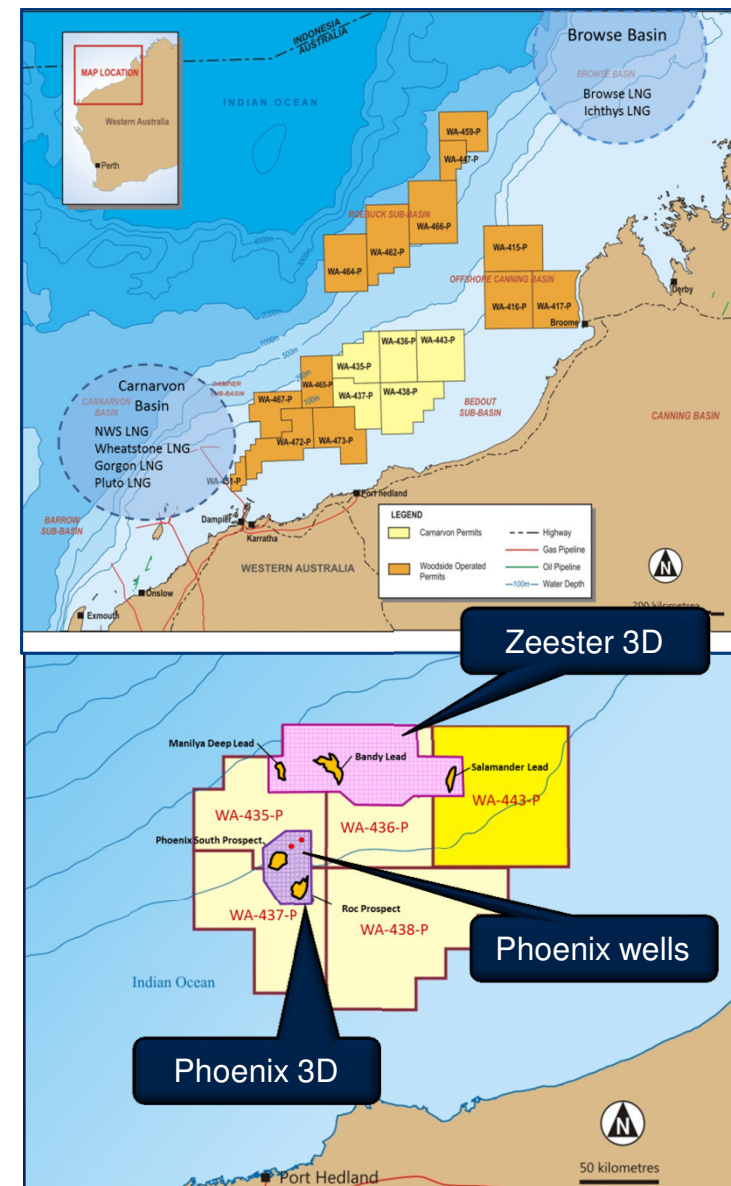
North West Shelf

(WA-436-P, WA-438-P & WA-443-P)

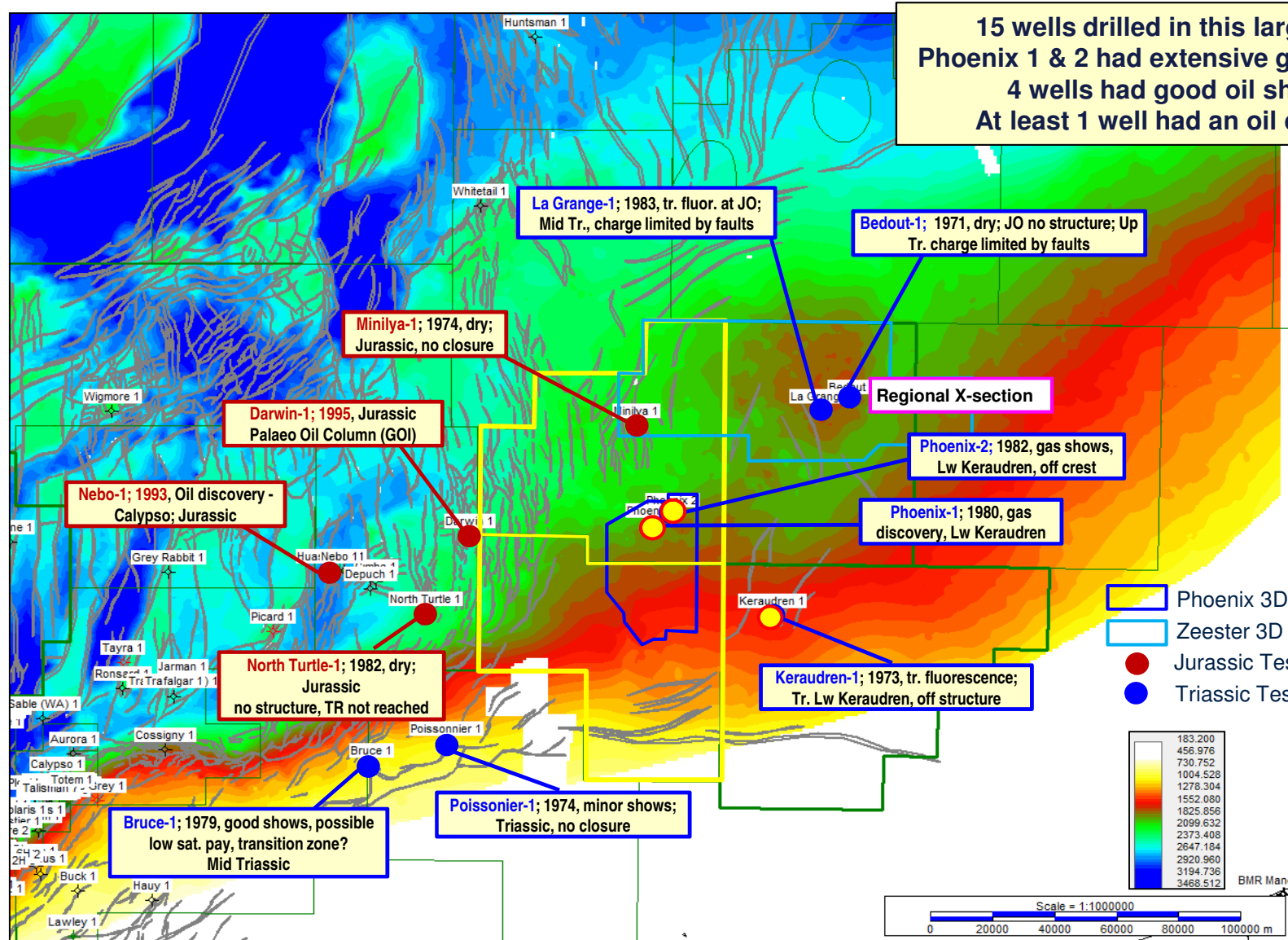
(50% CVN except WA-443-P at 100% CVN)

The bigger potential

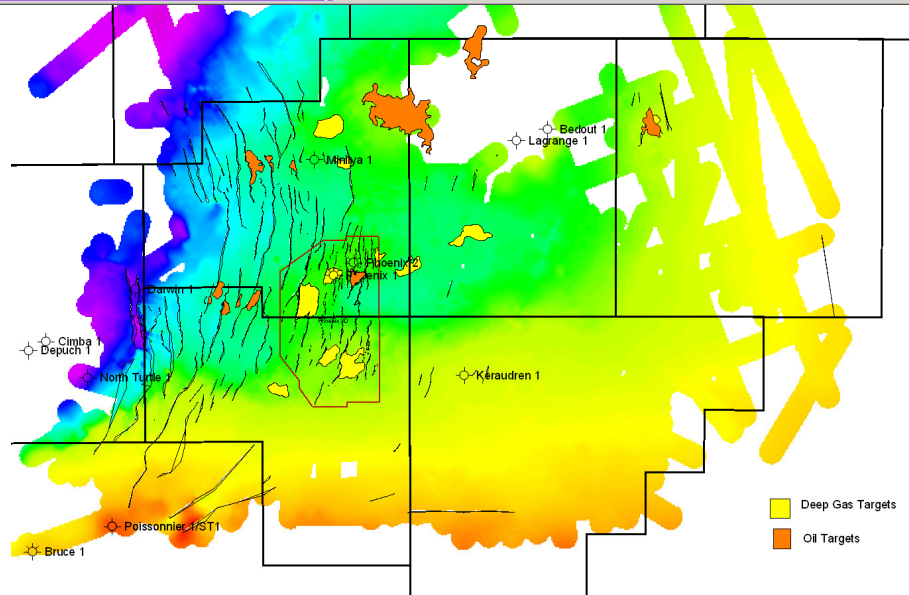
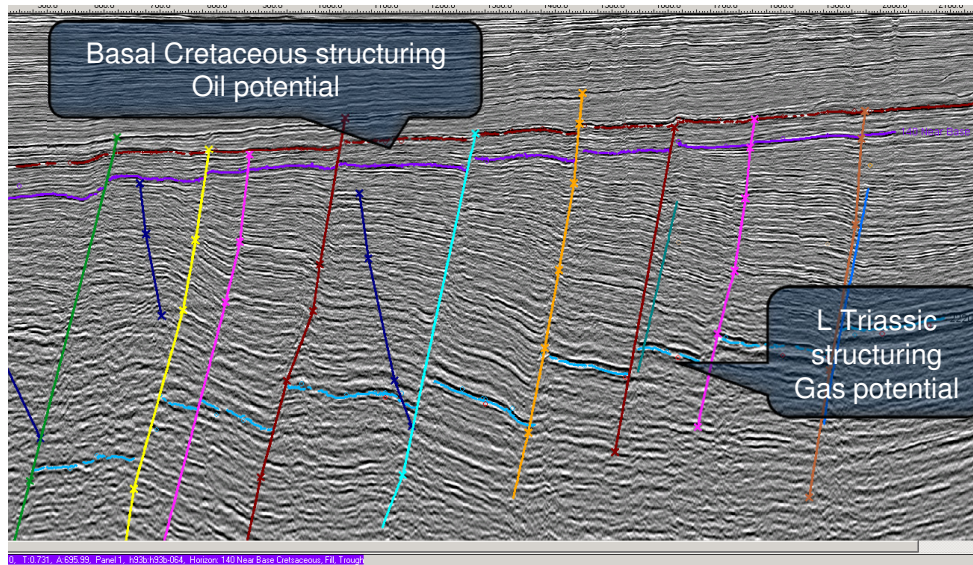
- Potential for new oil and gas fairway **between the Carnarvon and Browse Basins** on the North West Shelf.
- **Oil and gas has been discovered** in the area with gas in Carnarvon's WA-435-P permit and oil in the adjoining permit (namely in the Nebo-1 well in the WA-645-P).
- **Oil and gas majors** Woodside, Shell and Repsol have committed to acquire around 20,000 km² of new 3D seismic and drill 23 wells within the next five years.
- Carnarvon and its joint venture partner secured **28,000 km² on low commitments**.
- Exploration will **commence around the discovered gas** near the Phoenix wells and be expanded from there.
- **Zeester 3D seismic** data expected to set up the next stage of the exploration plan.



Identifying significant oil potential



New data and technical work



- The Phoenix 3D and regional 2D data acquired in 2010 has provided **important new information**.
- **Significant oil shows** in regional wells drilled on 2D (are being reassessed and most were drilled off structure).
- **Numerous gas and oil structures** mapped on 2D
 - Phoenix 3D unlocking new oil and gas prospects
 - Zeester 3D will unlock potential in the north of the permits
- **Significant acreage** still to be tested outside of 3D areas



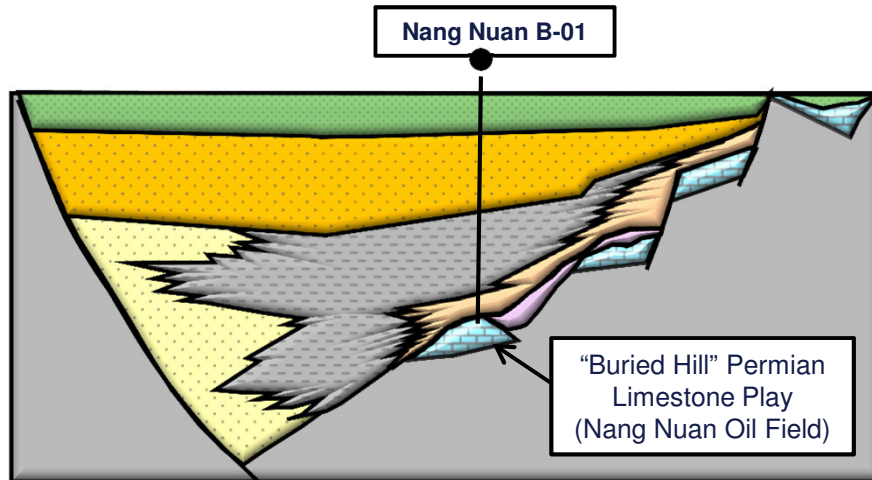
Thailand

L52/50 and L53/50

(50% CVN)

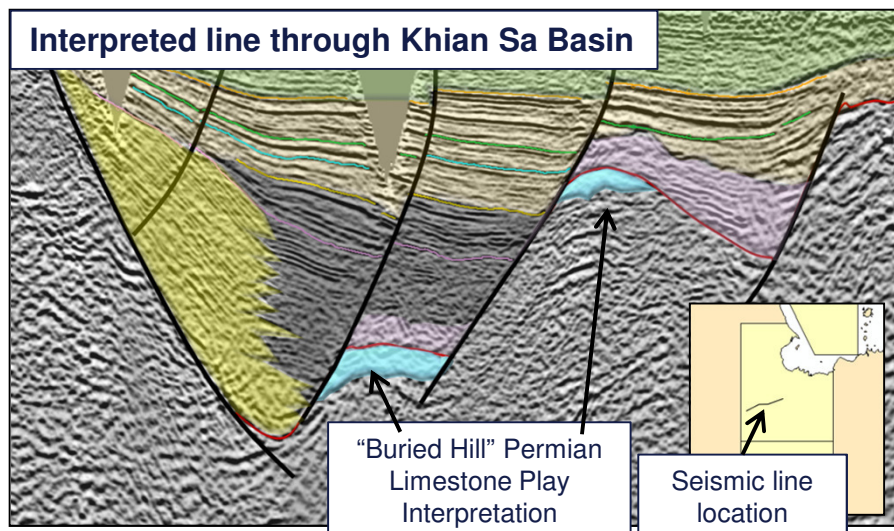
Onshore oil in Khian Sa Basin

Northern Chumphon Basin Schematic



(Adapted From Thai Shell, 1994)

Interpreted line through Khian Sa Basin



- **Oil-focused blocks** on trend with the **oil-producing Chumphon Basin**, to the north in the Gulf of Thailand
- prospects contain greater than **20 million bbls (gross) recoverable oil**
- Khian Sa Basin is the **largest Tertiary basin** in southern Thailand.
- It is **under-explored**, with only two conventional exploration wells drilled.
- The Nang Nuan oil field, in the offshore Chumphon Basin, is a buried hill style of play, which produces from karsted **Permian limestone reservoir**.
- **4.3 mmbbls have been produced** from the Nang Nuan B-01 well at rates of up to 10,000 bopd.
- The Khian Sa Basin has a **similar basin architecture** to the Chumphon Basin.
- **Three robust prospects** have been identified within L52/50 and L53/50, of a similar play type, for which the Nang Nuan Field is an excellent analogue.

Enhanced management team



- **Mr Adrian Cook – Chief Executive Officer**

- Commercially and financially qualified executive with over 25 years experience including as Managing Director of Buru Energy Limited, a senior executive in Clough Limited's oil and gas construction business and a member of the executive committee with ARC Energy Limited.



- **Mr Philip Huizenga – Chief Operating Officer**

- Petroleum Engineer with nearly 20 years in the oil and gas industry encompassing drilling, logging and production on offshore and remote locations throughout Asia and the Americas. Mr Huizenga is a member of the Industry Advisory Council to the Department of Petroleum Engineering at Curtin University.



- **Dr Stephen Molyneux – Exploration Manager**

- 20 years experience in exploration seismic interpretation and development geology. Dr Molyneux has worked for Origin Energy International New Ventures, Premier Oil Norway as Lead Geoscientist, Oilexco North Sea as Chief Geologist, PanCanadian and Enterprise Oil North Sea as an explorationist during which time he was a party to the discovery and development of more than 5 billion barrels of oil.



- **Mr Andrew Padman – Exploration Advisor**

- 36 years experience in the upstream petroleum exploration & production industry, working on new venture, exploration and exploitation projects in the sedimentary basins of S.E. Asia for companies including Exxon, Woodside Petroleum, Premier Oil, Newfield and ARC Energy

Multiple upcoming catalysts

Near Term (by Dec 2012)

- **Increase oil production to 3,000 bopd gross**
 - 10 well sandstone development drilling program commenced with positive initial results
 - Well work overs & reintroduction of Agricultural Land Reform Office (“ALRO”) production
- **Phoenix farm out - to drill Phoenix South & Roc prospects**

Mid Term (by Dec 2013)

- **Execute Thailand oil field development plan**
 - Full field oil development plan expected early 2013
 - Incorporating igneous redevelopment, sandstone development, workovers, new technology
 - Multiple wells and new 3D seismic
- **Drill Phoenix South prospect**
- **Licence Zeester 3D data and farm-out next permit**

Long Term (Jan 2014+)

- **Increase oil production to 7,500 bopd gross (in line with GCA 2P production profile)**
 - Further potential from Thailand exploration – L33 & L44 and L52 & L53
 - Significant reserves aggregation
- **Drill Roc and other prospects in Phoenix acreage & Greater North West Shelf**



Appendix

1. Key risks

Key risks

Risk factor	Description
Estimation of reserves	The estimation of oil and natural gas reserves involves subjective judgements and determinations based on geological, technical, contractual and economic information. It is not an exact calculation. In particular, the structural complexity of the leases to which Carnarvon's reserves relate means that it is not possible to estimate reserves through all available methods of analysis, which increases the risk of not accurately estimating Carnarvon's reserves. Carnarvon's reserves have been estimated by the Independent Reserve Engineer using the volumetric and analogy methods of estimation. The estimate may change because of new information from production or drilling activities or changes in economic factors. Reserve estimates may also be subject to changes in the application of published rules and guidance.
Lease obligations	Carnarvon's leases are subject to ongoing obligations on Carnarvon to satisfy minimum drilling and continued production obligations. If Carnarvon failed to satisfy these obligations, the relevant lease may expire or be forfeited, which would result in a loss of the reserves attributable to that lease.
Replacement of reserves	Carnarvon's future success depends upon its ability to find, develop or acquire additional oil and natural gas reserves that are economically recoverable. Carnarvon's proved reserves generally decline when reserves are produced, unless it conducts successful exploration or development activities or acquires properties containing proved reserves or both. Carnarvon may not be able to find, develop or acquire additional reserves on an economic basis. Furthermore, if oil and natural gas prices increase, Carnarvon's costs to acquire additional reserves could also increase.
Insurance	Carnarvon's operations are subject to all of the risks and hazards typically associated with contract drilling and the exploration for and production of oil and gas. In accordance with customary industry practices, Carnarvon intends to maintain insurance against some, but not all, of these risks and losses. Moreover, Carnarvon may not be able to maintain adequate insurance in the future at rates it considers reasonable. The occurrence of a significant event not fully insured or indemnified against could have an adverse effect on Carnarvon.
Oil and gas price volatility	Oil and natural gas prices historically have been volatile and are likely to continue to be volatile in the future. The volatility of the energy markets generally make it extremely difficult to predict future oil and natural gas price movements with any certainty and, in turn, demand for petroleum products produced by Carnarvon, drilling contracts and future drilling. Declines in oil and natural gas prices could have an adverse effect on Carnarvon.

Key risks

Risk factor	Description
Exchange rate fluctuations	<p>Carnarvon's presentation currency, which is the currency in which it reports its financial results, is AUD. Accordingly, the value of Carnarvon shares is exposed to fluctuations in the AUD/ USD and AUD/THB exchange rate. Fluctuations in the exchange rate between these currencies will result in foreign exchange gains and losses which may impact on Carnarvon's financial performance. In particular, Carnarvon's revenue is derived from THB sales. Any appreciation of the AUD against the THB effectively reduces the AUD value of that revenue.</p>
Operating risks	<p>The operations of Carnarvon may be affected by various factors, including failure to locate or identify oil reserves, failure to achieve predicted volumes in exploration and drilling, operational and technical difficulties encountered in drilling, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment. Carnarvon's business involves operating hazards such as well blowouts, mechanical failures, explosions, uncontrollable flows of oil, natural gas or well fluids, fires, formations with abnormal pressures, pollution, releases of toxic gas and other environmental hazards and risks. Carnarvon could suffer substantial losses as a result of any of these events, particularly if it is not fully insured against those risks. Even where Carnarvon is insured, accidents that damage drilling rigs or other equipment could delay Carnarvon's drilling operations, which may cause Carnarvon to achieve lower than projected production rates.</p> <p>Furthermore, Carnarvon's costs are at risk given the particularly competitive nature of the oil and gas industry. As global supply of oil and gas resources decreases, potential opportunities become more expensive to bid for whilst the increased demand for drilling equipment and labour is resulting in increased capital and operating costs.</p>
Water ingress	<p>Fluid produced from new and existing wellbores within Carnarvon's oilfields can range in composition and this composition can fluctuate over time. In particular, the percentage of formation water to crude oil can increase. This water may increase to levels that render production from the well uneconomic or that cause Carnarvon to achieve lower than projected production rates.</p>
Low fluid entry	<p>New and existing wellbores on Carnarvon's acreage may experience restricted fluid entry. This can result from low or decreasing formation pressure, mechanical obstruction or other causes. This could cause production from the well to be uneconomic or cause Carnarvon to achieve lower than projected production rates.</p>

Key risks

Risk factor	Description
Exploration risk	Oil and gas exploration is a high risk operation. The future value of Carnarvon will depend on its ability to find and develop oil and gas that is economically recoverable. There can be no assurance that Carnarvon's planned exploration activities will be successful and Carnarvon's track record in development drilling is not a proxy for its higher risk exploration drilling.
Carnarvon may not be able to obtain future funding	If Carnarvon does not meet its stated objectives, it may need additional debt or equity funding. There can be no guarantee that such funding will be available to Carnarvon on reasonable terms or at all. Any such failure to obtain funding on reasonable terms may result in a loss of business opportunity and excessive funding costs, including dilution to existing shareholders if equity funding is pursued.
The loss of key personnel	Skilled employees and consultants are essential to the successful delivery of Carnarvon's business strategy. Carnarvon relies to a large extent on the services of certain key management personnel, including its executive officers and other key employees and consultants, the loss of any of which could have a material adverse effect on Carnarvon.
Seasonal conditions	Carnarvon has exposure to a number of natural events such as hurricanes, floods, and fire which are beyond its control. Natural events could affect Carnarvon's productivity and, as a result, could have a material adverse effect on Carnarvon.
Risk of foreign operations	<p>Carnarvon operates joint venture entities in Thailand where there may be a number of associated risks over which it will have no, or limited control. These may include economic, social, or political instability or change, nationalisation, expropriation of property without fair compensation, cancellation or modification of contract rights, hyperinflation, currency non-convertibility or instability and changes of laws affecting foreign ownership, government participation, royalties, taxation, working conditions, foreign nationals work permits, rates of exchange, exchange control, exploration licensing, minerals export licensing, export duties, government control over product pricing, and other risks arising out of foreign governmental sovereignty over the areas in which Carnarvon's operations are conducted, as well as risks of loss due to civil strife, acts of war, terrorism, guerrilla activities and insurrections.</p> <p>Carnarvon's operations may also be adversely affected by laws and policies of Australia affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with its operations, Carnarvon may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Australia or enforcing Australian judgements in foreign jurisdictions.</p>

Key risks

Risk factor	Description
Environmental matters	<p>Carnarvon requires approvals for production and development operations under various regulations and guidelines. Carnarvon's operations are subject to numerous stringent and complex laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial requirements, and the imposition of injunctions to force future compliance. State statutes and regulations require permits for drilling operations, drilling bonds and reports concerning operations. In addition, there are state statutes, rules and regulations governing conservation matters, including the unitization or pooling of oil and gas properties, establishment of maximum rates of production from oil and gas wells and the spacing, plugging and abandonment of such wells. Such statutes and regulations may limit the rate at which oil and gas could otherwise be produced from Carnarvon's properties and may restrict the number of wells that may be drilled on a particular lease or in a particular field.</p>
Climate change	<p>Carnarvon's operations and the use of oil produced by Carnarvon generates greenhouse gas emissions. There is increasing recognition that energy consumption is a contributor to global warming, greenhouse effects and potentially climate change. A number of governments or governmental bodies, including those in Australia have introduced or are contemplating regulatory change in response to the potential impacts of climate change and greenhouse gas emissions. These regulatory mechanisms could have a material adverse effect on Carnarvon's operations or development projects. While the terms of any climate change legislation are unclear, the regulation of greenhouse gas emissions may become more stringent in the future which could see changes in the demand for oil produced by Carnarvon and returns that Carnarvon can generate on its assets.</p>
Joint venture partner risk	<p>Carnarvon is a joint venture partner and non-operator with respect to its interest in both its Australian and Thai assets. Carnarvon may be required to act in accordance with decisions of the operating committee, and therefore, the operational performance of those assets and timing of exploration and development activities may not be within its control. While Carnarvon maintains strong relationships with its joint venture partners, a deterioration in those relationships could adversely impact Carnarvon.</p>
Laws and regulations	<p>Exploration for development, exploitation, production and sale of oil and gas is subject to extensive laws and regulations, including complex tax laws and environmental laws and regulations. Existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations as a result of changes in government policy or in statute may have an adverse effect on Carnarvon.</p>

Key risks

Risk factor	Description
Licensing and title	<p>Carnarvon requires approval from relevant regulatory bodies to operate petroleum properties in Thailand, Australia and any other countries in which it may operate. If these approvals are revoked in Thailand or not granted in other countries in which the company seeks to expand its activities, Carnarvon may be unable to achieve its objectives and this, as a result, could have a material adverse effect on Carnarvon.</p> <p>Interests in permits are governed by the granting of licences or leases by the appropriate government authorities. Each permit is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, Carnarvon could lose title to or its interest in a permit if licence conditions are not met or if insufficient funds are available to meet expenditure Commitments.</p>
Negotiation with third parties	<p>Various aspects of Carnarvon's future performance and profitability are dependent on the outcome of future negotiations with third parties. In addition to the outcome of negotiations on land access arrangements and environmental issues, future negotiation with government is expected in relation to:</p> <ul style="list-style-type: none">• licence renewals and work obligations; and• security for rehabilitation of areas of operation within Carnarvon's tenements.
Land access	<p>Immediate and continuing access to tenements cannot in all cases be guaranteed. Carnarvon is required to obtain consent of owners and occupiers of land within Carnarvon's licence areas. Compensation may be required to be paid by Carnarvon to the owners and occupiers of land in order for Carnarvon to carry out exploration activities.</p>
Competition	<p>The oil and natural gas drilling industry is highly competitive. Major and independent oil and gas companies, drilling and production acquisition programs and individual producers and operators are active bidders for desirable oil and gas properties, as well as the equipment and labour required to operate those properties. Many competitors have substantial financial resources, staff and facilities.</p> <p>The availability of a market for oil and natural gas in the future will depend in part on the cost and availability of alternative fuels, the level of consumer demand, the extent of domestic production of oil and natural gas, the extent of importation of foreign oil and natural gas, the cost of and proximity to pipelines and other transportation facilities, regulations by state and federal authorities and the cost of complying with applicable environmental regulations.</p>

Key risks

Risk factor	Description
General economic conditions	Carnarvon's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Further, Carnarvon's performance may be impacted by volatility in the global oil and gas industry, such as domestic and international competition, competitive pressures, supply and demand conditions, political stability in the Middle East, and the availability of alternative fuel sources. Prolonged deterioration in general economic or industry conditions could have an adverse effect on Carnarvon.
Global security environment	Outbreak of hostilities or a material escalation of hostilities including a declaration of war in major countries in the world or terrorist acts perpetrated on any major countries or any diplomatic, military, commercial or political establishment of any major countries anywhere in the world may affect the global economic and commercial environment and in turn affect Carnarvon's future revenues, operating costs and share price.
Accounting standards	Australian accounting standards are set by the Australian Accounting Standards Board (AASB). Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in Carnarvon's financial statements.
Taxation risks	A change to the current taxation regime in Australia or Thailand may affect Carnarvon and its Shareholders. As Carnarvon's subsidiaries operate in Thailand, it is subject to the taxation laws that apply to transactions with foreign entities and the interaction of tax laws and allocation of taxes between Australia and Thailand. An interpretation of Australian or Thai taxation laws and their interaction by revenue authorities in either country that is contrary to Carnarvon's view of those laws may increase the amount of tax payable by Carnarvon or affect the treatment of tax losses that may otherwise reduce the tax payable by Carnarvon. Personal tax liabilities are the responsibility of each Shareholder. Carnarvon is not responsible for taxation or penalties incurred by Shareholders.



Appendix

2. Offer jurisdictions

Offer jurisdictions

International Offer Restrictions

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

European Economic Area - Germany

The information in this document has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities.

An offer to the public of New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- (a) to legal entities that are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity that has two or more of: (i) an average of at least 250 employees during its last fiscal year; (ii) a total balance sheet of more than €43,000,000 (as shown on its last annual unconsolidated or consolidated financial statements) and (iii) an annual net turnover of more than €50,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- (c) to fewer than 100 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of the Company or any underwriter for any such offer; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than (i) to "professional investors" (as defined in the SFO) or (ii) in other circumstances that do not result in this document being a "prospectus" (as defined in the Companies Ordinance) or that do not constitute an offer to the public within the meaning of that ordinance.

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such shares in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such shares.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Offer jurisdictions

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (New Zealand). The New Shares are not being offered or sold in New Zealand, or allotted with a view to being offered for sale in New Zealand, and no person in New Zealand may accept a placement of New Shares other than to:

- persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or
- persons who are each required to (i) pay a minimum subscription price of at least NZ\$500,000 for the securities before allotment or (ii) have previously paid a minimum subscription price of at least NZ\$500,000 for securities of the Company ("initial securities") in a single transaction before the allotment of such initial securities and such allotment was not more than 18 months prior to the date of this document.

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator pursuant to the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The New Shares may not be offered or sold, directly or indirectly, in Norway except:

- to "professional investors" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876);
- any natural person who is registered as a professional investor with the Norwegian Financial Supervisory Authority (No. Finanstilsynet) and who fulfils two or more of the following: (i) any natural person with an average execution of at least ten transactions in securities of significant volume per quarter for the last four quarters; (ii) any natural person with a portfolio of securities with a market value of at least €500,000; and (iii) any natural person who works, or has worked for at least one year, within the financial markets in a position which presupposes knowledge of investing in securities;
- to fewer than 100 natural or legal persons (other than "professional investors"); or
- in any other circumstances provided that no such offer of New Shares shall result in a requirement for the registration, or the publication by the Company or an underwriter, of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Offer jurisdictions

Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA). This document is personal to the recipient only and not for general circulation in Switzerland.

United Arab Emirates

Neither this document nor the New Shares have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates, nor has the Company received authorization or licensing from the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates to market or sell the New Shares within the United Arab Emirates. No marketing of any financial products or services may be made from within the United Arab Emirates and no subscription to any financial products or services may be consummated within the United Arab Emirates. This document does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the New Shares, including the receipt of applications and/or the allotment or redemption of New Shares, may be rendered within the United Arab Emirates by the Company. No offer or invitation to subscribe for New Shares is valid or permitted in the Dubai International Financial Centre.

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

United States

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Disclaimer

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.

This presentation contains forward looking statements which involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies including those risk factors associated with the oil and gas industry, many of which are outside the control of and may be unknown to Carnarvon Petroleum Limited.

No representation, warranty or assurance, express or implied, is given or made in relation to any forward looking statement. In particular, no representation, warranty or assumption, express or implied, is given in relation to any underlying assumption or that any forward looking statement will be achieved. Actual and future events may vary materially from the forward looking statements and the assumptions on which the forward looking statements were based.

Given these uncertainties, readers are cautioned not to place undue reliance on such forward looking statements, and should rely on their own independent enquiries, investigations and advice regarding information contained in this presentation. Any reliance by a reader on the information contained in this presentation is wholly at the readers own risk.

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