

Quarterly Report



July 2012 Quarter		ASX: CVN	
Company		Capital	
Carnarvon produces oil onshore Thailand and has an exploration and production focus in South East Asia and Australia.		Share price	\$0.105
		Market capitalisation	\$73m
		Net cash / (debt)	\$7.6m
			\$0.13
			\$90m
			\$10.0m
Reserves (net to CVN)		Production (net to CVN)	
	At 31 Dec. 11	30 Jun. 12 Qtr	31 Mar. 12 Qtr
Proved (1P)	3.8 MMbbls	Production (bbls)	57,806
Proved & Probable (2P)	12.1 MMbbls	Average sale price (\$/bbl)	A\$95.05
Proved, Probable & Possible (3P)	22.7 MMbbls	Net sales revenue (\$'m)	A\$5.49m
			71,767
			A\$103.26
			A\$7.41m

SIGNIFICANT EVENTS DURING THE QUARTER

- ❖ **New joint venture partner** and operator in L44/43, L33/43 and SW1A concessions onshore Thailand, ECO Environmental Investments Limited (ECO), a wholly-owned subsidiary of the Hong Kong and China Gas Company Limited (Towngas) acquired Pan Orient Energy's 60% interest on 17 June 2012.
 - ❖ Drilling recommenced on 20 June 2012 after a two month decommissioning of the rig.
 - ❖ ECO initiated a new field development plan covering all sandstone and volcanic reservoirs.
- ❖ **Net sales revenue** for the quarter was A\$5.5m, impacted by shut in production and lower oil prices.
- ❖ **Production** for the quarter was 57,806 barrels of oil net to Carnarvon, key events being:
 - ❖ Environmental impact assessment ("EIA") approval received for the WBEXT development with drilling of the sandstone reservoirs commencing on 25 July 2012.
 - ❖ The Agricultural Land Reform Office (ALRO) of the Government of Thailand shut production in the Bo Rang area on 2 May 2012. The wells shut in were producing 465 BOPD (gross) and at this rate would have contributed ~11,000 barrels of oil net to Carnarvon during the quarter. The matter is expected to be considered by ALRO in late August / early September 2012.
- ❖ **Phoenix farmout** negotiations continued and the Joint Venture is working toward an agreement in the third quarter, 2012. The farmout covers the exploration permits WA-435-P & WA-437-P.
 - ❖ Zeester 3D survey was completed during the quarter, covering ~3,854km² over key leads in the WA-435-P, WA-436-P and WA-443-P exploration permits.
- ❖ **Cash flows** from operations were \$3.8 million during the quarter, before expenditure of:
 - ❖ \$ 2.6 million on drilling activities in the L44/33 and L33/43 Concessions in Thailand
 - ❖ \$ 1.2 million on technical work, new venture and corporate costs; and
 - ❖ \$ 2.4 million in Thailand government taxes.

PRODUCTION IN THAILAND (including associated exploration & development)

Carnarvon has a 40% non-operated interest in oil production activities in Thailand from Concessions L33/43, L44/43 and SW1A.

Net Sales Revenue

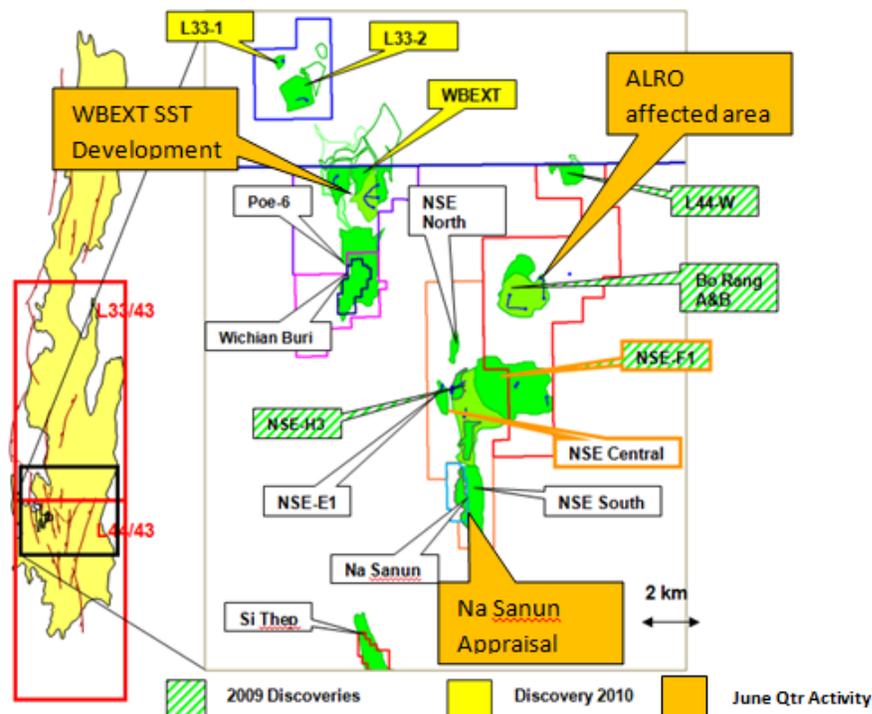
Net sales revenue for the quarter was \$5.5m on 57,806 bbls of oil produced. Revenue was impacted primarily by production shut in by ALRO and lower oil prices, as outlined below:

Net sales revenue for the March 2012 quarter	\$7.4m
Impact of production shut in by ALRO	(\$1.1m)
Impact of oil price (\$95.05 in June versus \$103.26 in March)	(\$0.5m)
Impact of net natural field decline	(\$0.3m)
Net sales revenue for the June 2012 quarter	\$5.5m

Oil Production

EIA approval was received in late June 2012 for the development of the WBEXT field. The Joint Venture now has approval to drill up to 60 wells targeting the WBEXT sandstone and volcanic reservoirs. The Joint Venture began drilling the WBEXT sandstone reserves on 25 July 2012 and has initial plans for a 10 to 15 well drilling campaign in this area.

ALRO approve the use of certain agricultural lands for non-agricultural purposes. The Joint Venture obtained ALRO approvals to explore on land in the Bo Rang North area and understood it had approvals to produce from this area under the terms of its production licence, granted by the Department of Mineral Fuels in Thailand. ALRO disputed the Joint Venture's position and required it to shut in a series of wells in the Bo Rang North area while the matter was reviewed. The matter is expected to be considered by ALRO in late August or early September 2012 and once resolved production would recommence shortly thereafter. The shut in wells reduced production by approximately 465 BOPD gross (186 BOPD net to Carnarvon) from 2 May 2012.



Drilling activities

There were no drilling activities in the above mentioned concessions between 25 April 2012 and 20 June 2012. ECO recommenced drilling on 20 June 2012 with the NS-8B well.

Sandstone Exploration and Appraisal wells drilled and / or completed during the quarter:

Well	Permit	Status
NS-4A	SW1A	On production – Na Sanun Sandstone
NS-8B	SW1A	On test – Na Sanun Sandstone

NS-4A was drilled targeting oil in a volcanic interval under the main Na Sanun oil field. The interval was water wet however the well discovered a four metre oil bearing sand. On test, the well produced 250 BOPD gross (100 BOPD net to Carnarvon) upon commissioning, with negligible water from the sand interval and stabilised rates between 20 and 50 BOPD.

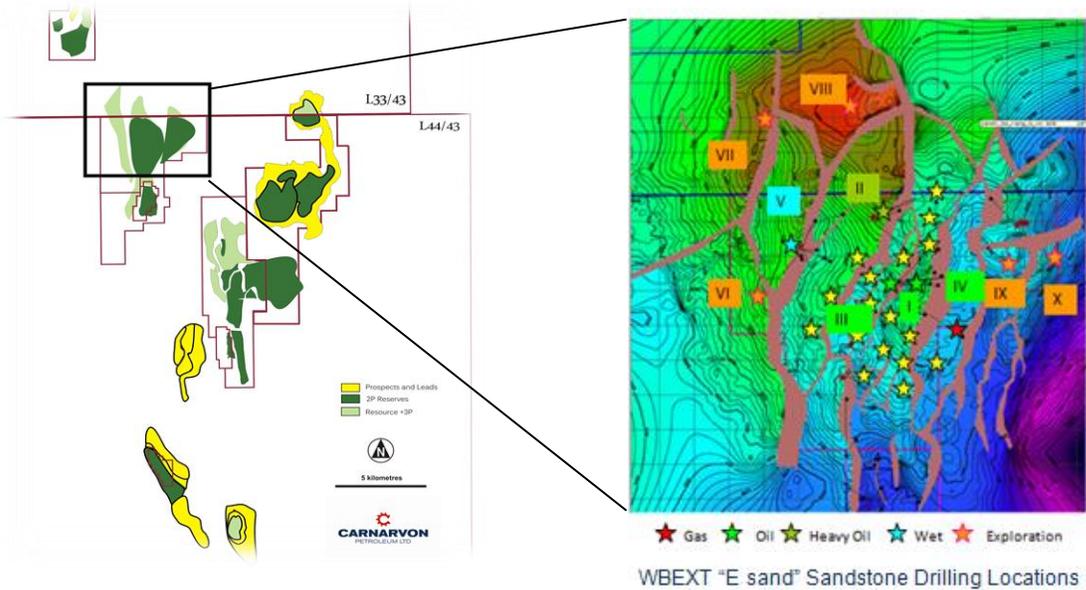
NS-8B targeted the oil bearing sand discovered by NS-4A. The well encountered oil bearing sands and is currently on test.

Volcanic Exploration and Appraisal wells drilled and / or completed during the quarter:

Well	Permit	Status
NS-9A	SW1A	On production – Na Sanun Volcanic

NS-9A targeted a structural high of the existing Na Sanun oil field. The well was commissioned at 580 BOPD gross (232 BOPD net to Carnarvon) before stabilising at between 20 and 70 BOPD gross. Currently the well is shut in awaiting a work-over to install an inflow control device (ICD).

During the quarter, and as outlined on 29 May 2012, the Joint Venture undertook a number of well work-overs to improve flow rates. The Joint Venture expects, as part of the field development plan, to review further work over opportunities on the existing portfolio of wells.



EXPLORATION IN THAILAND

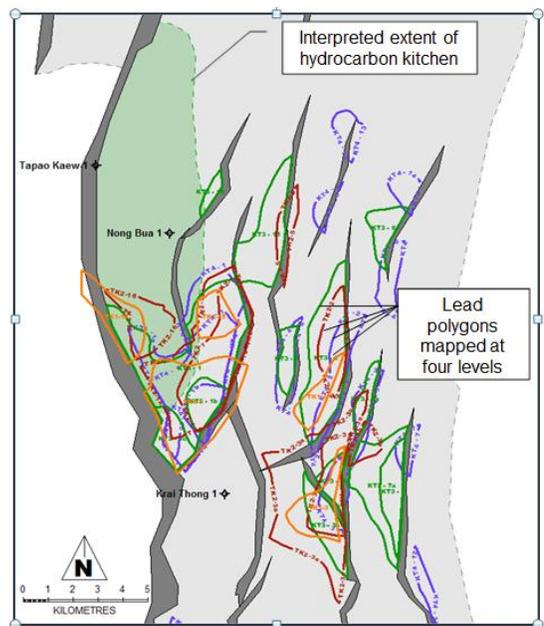
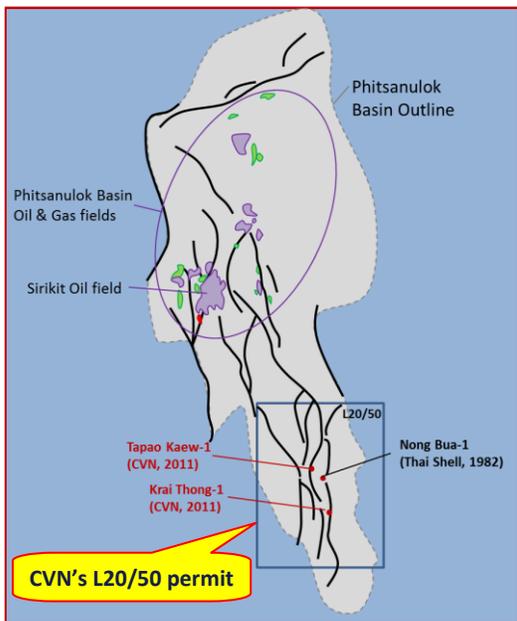
(a) L20/50 Concession – Thailand

(Carnarvon Petroleum 55% and Operator, Sun Resources 45%)

Technical work on the structural and basin model over the L20/50 Concession was updated during the quarter, combining recent drilling results with a refinement of the 2D seismic data interpretation. The data shows that the generation of hydrocarbons is likely within the basin. The new model also explains the results from the two wells drilled in 2011 and highlights new areas for exploration.

The revised mapping has identified several new structures with potential to contain hydrocarbon reserves, albeit within complex geological structures consistent with other onshore Thailand basins.

During the quarter, Carnarvon continued the farmout process to assist in funding ongoing exploration in the block. Further commitments during the second obligation period include a 3D survey and an exploration well. The joint venture continues to carry forward a credit for a commitment well after exceeding the commitments during the '1st Obligation Period'.



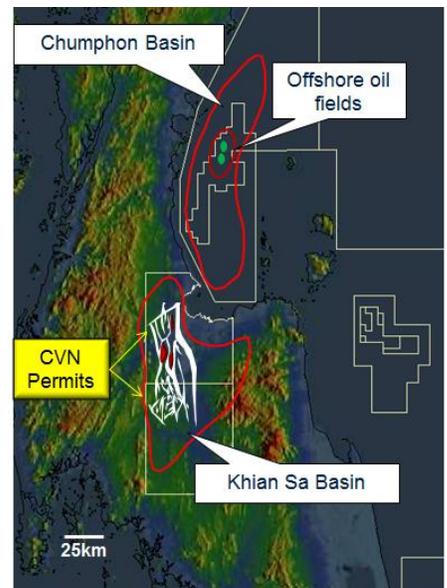
(b) L52/50 & L53/50 Concessions - Thailand

(Carnarvon Petroleum 50%, Pearl Energy 50% and Operator)

Processing of the recently acquired 315 km of 2D seismic data across the combined L52/50 & L53/50 Concessions was completed in the previous quarter. Interpretation and integration of the data was completed during the current quarter.

The technical work supports the analogous geological structures producing from the offshore Chumphon Basin with several large structures having been identified and supporting further exploration activities.

The Joint Venture initiated farm-out activities late in the quarter to assist in the funding of the exploration activities in the blocks.

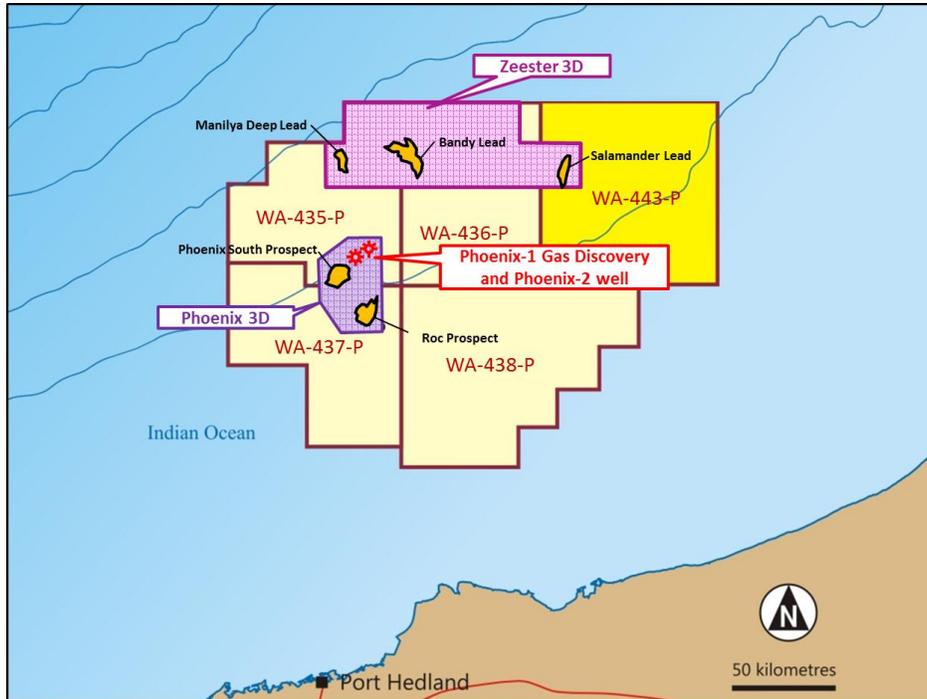


EXPLORATION IN AUSTRALIA

(a) WA-435-P, WA-436-P, WA-437-P and WA-438-P – Australia Offshore NW Shelf (Carnarvon Petroleum 50%, Finder Exploration 50% and Operator)

The Joint Venture's farm out process covering exploration permits WA-435-P & WA-437-P continued during the quarter. The Joint Venture is working toward an agreement in the September 2012 quarter.

On 26 June 2012 the ~3,854 km² new Zeester 3D seismic survey was completed covering the Northern part of WA-435-P and WA-436-P. The data covers several key leads of interest and is expected to be available at the end of 2012 on a multi-client basis. At this stage Carnarvon has not committed to licence the data.



(b) WA-443-P– Australia Offshore NW Shelf (Carnarvon Petroleum 100% and Operator)

The multi-client 3D seismic survey being undertaken across WA-435-P and WA-437-P also extends into WA-443-P. The seismic acquisition covered the Salamander lead, identified in a regional technical review, in the north-western section of the block.

Geological and geophysical studies are currently being carried out on this block in conjunction with similar work in the Phoenix permits.

(c) WA-399-P – Australia Offshore NW Shelf (Carnarvon Petroleum 13%, Apache Energy Limited 60% and Operator, Jacka Resources 15% and Rialto Energy 12%)

During the quarter the Operator presented its technical work undertaken to date, including the interpretation and analysis of the “Gazelle” 3D seismic data. The work supports several prospects and leads in the permit that requires further review. The Joint Venture also approved making an application to the Government to defer the drilling commitment by 12 months to allow further technical and commercial work to be undertaken. This will include an assessment of the potential to co-ordinate activities and resources with other permits in the region operated by Apache.

EXPLORATION IN INDONESIA

Rangkas PSC – Onshore Indonesia

(Carnarvon Petroleum 33%, Lundin Petroleum 67% and Operator)

After a strategic and technical review, the Joint Venture commenced the process of withdrawing from the Rangkas PSC. An assessment of the seismic data gathered in 2011 identified several prospects however the prospects have a low chance of success and do not have sufficient volume to warrant further exploration activities.

CORPORATE

Carnarvon's consolidated cash at the end of the June 2012 quarter was \$7.6 million compared to \$10.0 million at the end of the previous quarter. These balances include cash held as security in relation to bank guarantees and minimum cash holding requirements by Thailand authorities. As at 30 June 2012 cash held as security in relation to bank guarantees and minimum cash holding requirements by Thailand authorities was \$0.9 million.

Net revenue for the quarter was \$5.5 million generating an operating cash flow before tax of \$3.8 million from the L44/33 and L33/43 Concessions in Thailand.

Separate from the above, \$2.6 million was spent on drilling activities in the L44/33 and L33/43 Concessions in Thailand, \$1.2 million on technical, new ventures and corporate costs and \$2.4 million was paid in taxes to the Thailand government.

Abbreviations

API	American Petroleum Institute gravity measure
A\$	Australian dollars
Bopd	Barrels of oil per day
Bbls	Barrels of oil
CVN	Carnarvon Petroleum Limited
DMF	Department of Mineral Fuels Thailand
JV	Joint Venture
Km	Kilometres
Km²	Square kilometres
m	Millions
Qtr	Quarter
TVD	True vertical depth
Tcf	Trillion cubic feet (gas)
2D	Two dimension seismic data
3D	Three dimensional seismic data
WBEXT	Wichian Buri field extension area
NS	Na Sanun field area
NSE	Na Sanun East field area
NSE-F1	Extension of NSE
NSW	Na Sanun West field area
WBV	Wichian Buri volcanic reservoir in which there are three key volcanic zones
L33	L33/43 exploration Concession which is to the north of the L44/43 exploration Concession
ST	Sidetrack well
SW1A	This is a small exploration Concession within the larger L44/43 exploration Concession