

Chairman's Address

18 November 2011



ASX ANNOUNCEMENT

Carnarvon Petroleum Limited ("Carnarvon") (ASX:CVN) is pleased to provide shareholders with the attached Chairman's Address given by Mr Peter Leonhardt, Carnarvon Chairman, at Carnarvon Petroleum's Annual General Meeting, on Friday 18 November 2011 at 11.30am.

For this presentation and further information on the Company please visit the CVN website at: www.carnarvon.com.au

For all enquiries please contact:

Adrian Cook
Managing Director - Carnarvon Petroleum
08 9321 2665
Email: admin@cvn.com.au

Yours faithfully

A handwritten signature in black ink, appearing to read "Adrian Cook".

Adrian Cook
Managing Director
Carnarvon Petroleum

Chairman's Address

I am pleased to say the company has reported its fourth consecutive profitable year notwithstanding our production challenges and writing off exploration expenditure of over \$11 million on a conservative basis.

When we last met, Carnarvon's core asset in Thailand was producing very strongly. In fact production for the first two quarters of the 2011 financial year were on track to report an annual production rate of nearly one million barrels net to Carnarvon.

Up to that point the Company's board and management were actively working on building the business and diversifying the asset base, which I'll touch on in more detail in a little while.

Early in 2011 production in Thailand was flowing strongly from a number of wells in the Wichian Buri extension area. Over a short period of time these wells encountered technical issues and at the same time continuing development drilling was less successful. Adrian Cook and Phil Huizenga will discuss these issues with you shortly. The consequence was that we saw a dramatic fall in our production rates and despite re-doubling our efforts we have not to this point been able to adequately recover.

We recognise that the challenges surrounding production have impacted our share price since we last met and this situation has been further compounded by the negative sentiment in the broader share market.

Our focus is currently on implementing a series of activities designed to rectify the variability and unpredictability in our production. In particular, our future work programme is directed towards achieving a higher proportion of our production from more stable sandstone reservoirs. We are also working to trial new technologies and methodologies designed to reduce the production flow variability from our volcanic reservoir wells. These initiatives take time to implement and we're expecting to see their benefits materialising early in the new year.

Our drilling campaign has again been very active this year in Thailand with some 24 wells being drilled without major incident. As I indicated earlier, we have experienced some exciting and disappointing results in the Wichian Buri Extension area and there were strong reasons for us continuing to focus there. If we'd been able to replicate the flow rates that we experienced in the WBEXT 1A well at 5,300 barrels of oil per day we'd be in a very different position to where we are today. What is interesting about this region is that it is not inconceivable that we could replicate this outcome but potentially in a manner where we could better sustain meaningful flow rates following the testing and application of new technologies.

Carnarvon as the operator of the L20/50 concession in Thailand drilled two of the 24 wells drilled this year. This campaign in a new area reflected very well on our small team and I'm proud to say they were completed safely and cost effectively. We are still studying the results of the wells and considering the geochemical analysis from well samples. Overall the data is sufficiently encouraging for the joint venture to continue with its exploration activities in this area.

The Company also participated during the year in the drilling of the Tuatara-1 well in offshore New Zealand. The Board believed the technical merits of this opportunity warranted the \$3.5 million investment, particularly given that the prospect had the potential to substantially increase the value of the company if it were successful.

We also advanced a number of other assets during the year. A considerable amount of work has been undertaken in acquiring seismic data in permits in Australia, Indonesia and Thailand in anticipation of drilling activities in 2012 and 2013.

The Phoenix asset, situated 150km North of Port Headland, has created particular excitement as the preliminary 3D data supports several multi TCF recoverable prospects and well log data and regional field assessment also suggest the potential for condensate. Woodside's recent announcement of its entry to this region supports Carnarvon's view on the potential for this area to produce significant volumes of hydrocarbons in the future.

On behalf of my fellow directors I would like to recognise Ted Jacobson's contribution as Managing Director over the last five years. His vision and drive has grown the Company into a significant oil producer and regionally diversified explorer. I am delighted that Ted has agreed to continue as a Non-Executive Director and make his technical and industry experience available on a consultancy basis. Ted will be joining Adrian and Philip in discussing the year's activities and I'm sure you'll have plenty of questions for him then.

I would also like to welcome the Adrian Cook to the Board as Managing Director. Adrian has extensive industry experience and will bring a new focus, style and vision to the business. However for the immediate future, the Company's focus will remain on the execution of the current project portfolio.

As a Company, we have continued to improve our technical ability with invaluable experience gained in the drilling of the two L20/50 wells in Thailand, our first wells drilled as the operator. It is our intention to further strengthen our capability in the future and overall I would thank the Carnarvon team for their efforts this year.

Despite the difficulties we have had since the last Annual General Meeting, the outlook for your Company is optimistic. Our management team is working hard to overcome our current production challenges. At the same time our portfolio of exploration opportunities is another year closer to contributing material growth to the Company. In particular the Phoenix asset where multi

Tcf prospects have been identified is generating significant interest from third parties and is an excellent example of the opportunities available.

Finally I would like to thank my fellow Non-Executive Directors, Neil Fearis, Bill Foster and Ted Jacobson for their support and counsel over the period.