



Highlights

Production
Cash Flow
Growth assets



High impact well

Technical work supporting multi-TCF potential with associated condensate of circa 50 mmbbls/TCF in NWS blocks with Phoenix South-1 well the first test.

Thailand drilling

Operator planning drilling igneous wells in WBEXT area and exploration and development wells in the new 3D area in the L33/43 concession in late Q2.

48,299 bbls produced

9% increase in Thailand production generating net sales revenue of \$4.9 million and positive operating cash flow of \$2.7 million before tax.

Near term activity

The Phoenix South-1 well on the NWS is expected to spud in approximately 6 to 12 weeks time.

Reserves updated

Independently assessed proven plus probable reserves of 12 mmbbls net to Carnarvon in Thailand confirmed in the quarter.

Drilling success

One well was drilled in Thailand in Q1 to test new technical work resulting in successful test of WBEXT-2C well and increasing production Qtr on Qtr.



Enhanced oil recovery

Water is being strategically injected into the WBEXT-1B fault block in Thailand to maximise oil flow rates with the program commencing in the quarter.

Cash reserves

Cash reserves at end of quarter were \$20m compared with \$21m in previous quarter. Carnarvon has no debt or hedging of its oil reserves or foreign currency holdings.

The Managing Director’s comments

As covered in the highlights the September 2013 quarter has been busy for Carnarvon

The expected spud date for the Phoenix South-1 well, as provided by Apache as operator, is between November 2013 and January 2014 with the exact timing being influenced by the drilling activities of other parties currently in possession of the rig. At this stage the current best estimate is for a spud in December 2013.

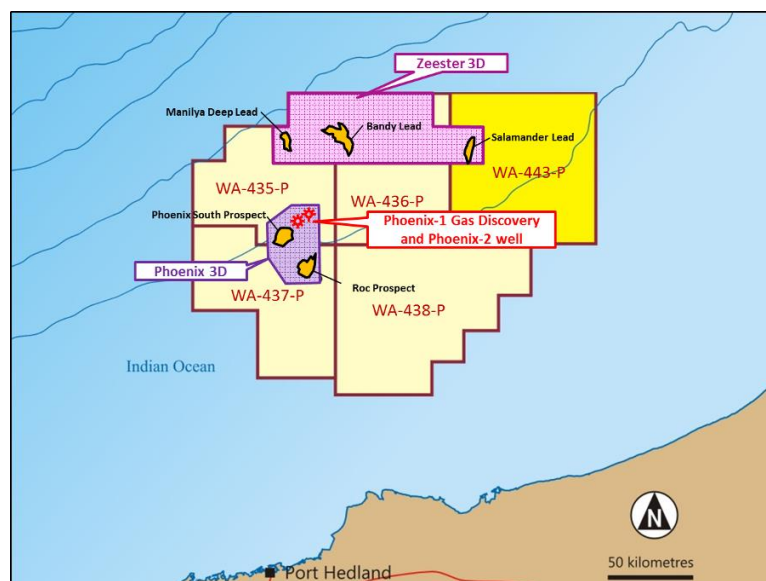
The Phoenix South structure, to be tested by the Phoenix South-1 well, covers a large ~50km² and is only some 13 kilometres from gas discovered in the Phoenix-1 well. The Phoenix-1 well intersected gas in multiple sands over approximately a 700 metre section in lower Triassic reservoirs between 4,100 meters and 4,800 metres. Unlike the Phoenix-1 well, the Phoenix South-1 well will be drilled on 3D seismic data, thus further improving the chance of drilling a robust gas charged structure.

The work undertaken in the company’s Thailand operations are also expected to become active shortly with drilling scheduled to commence later in the December 2013 quarter. The WBEXT-2C well has been encouraging in terms of its results, the manner in which it is being tested and the opportunities to improve production from future work overs within multiple zones of the well bore.

The operator is currently planning a number of similar development wells near the WBEXT-2C well and to bring on, test and maintain them in a similar manner.

We are also looking forward to commencing drilling in Thailand on new 3D seismic data in the L33/43 Concession. The data was acquired earlier this calendar year and is an important addition to the data set where the last 3D seismic was acquired in 2006 / 2007.

Finally we are pleased to have commenced the water flood program in the WBEXT-1B sandstone fault block during the quarter. Not only are we expecting to see production improve from this development area but it will provide the opportunity to commence a series of similar developments in nearby sandstone fault blocks in the future.



Carnarvon’s interest in five contiguous permits on the North West Shelf

WA-435-P and WA-437-P permits – Western Australia (NW Shelf)

(Carnarvon 20%, Finder Exploration 20%, JX Nippon 20%, Apache 40% and Operator)

On 18 September 2013 Apache, as the operator of WA-435-P and WA-437-P, presented its technical work to the joint venture partners in relation to the Phoenix South and Roc prospects and other leads in these permits.

At the meeting Apache reaffirmed the expected spud of the Phoenix South-1 well between November 2013 and January 2014 using the Apache-contracted Atwood Eagle semi submersible drilling rig. Based on the current scheduled use of the rig by other parties the best estimate is for a spud date in December 2013.

Carnarvon executed agreements with both Apache and JX Nippon in October 2012 that covers the cost, to an agreed cap of US\$50 million per well, for drilling of the Phoenix South prospect (firm) in WA-435-P and the Roc prospect (contingent) in WA-437-P.

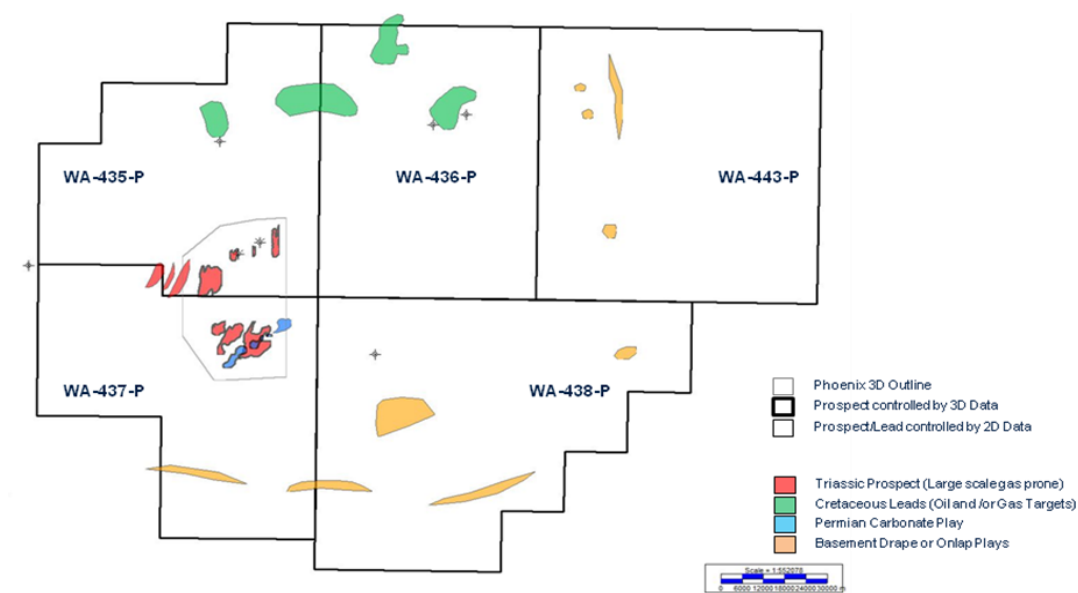
The Phoenix South prospect is assessed by Carnarvon as a multi-TCF prospect, in lower Triassic reservoirs, with condensate volumes in the range of 25 to 100 mmbbls/TCF that will be drilled on modern 3D seismic data less than 13 kilometres from proven gas in lower Triassic reservoirs encountered in the Phoenix-1 well.

If successful, the Phoenix South-1 well has the potential to open up the prospectivity in the region for oil and gas. Importantly Carnarvon holds a significant interest in approximately 28,000 km² of contiguous acreage providing a great deal of scope for further exploration.

WA-436-P and WA-438-P permits – Western Australia (NW Shelf)

(Carnarvon 50%, Finder Exploration 50% and Operator)

Carnarvon’s technical work has identified additional play types in these permits, including a stratigraphic play along the margins of the basin, which has the potential to contain significant volumes of gas (or oil). This type of play has been very successful in the North Sea. Further work will be carried out, including the interpretation of the Zeester 3D seismic survey once available, to assess and develop these play types. These permits are expected to be made available for farm in following the drilling of the Phoenix South-1 well in WA-435-P.



Additional play types identified through new technical work

WA-443-P permit – Western Australia (NW Shelf)

(Carnarvon 100% and Operator)

The multi-client Zeester 3D seismic survey also extends into a portion of WA-443-P permit and covers the Salamander lead, identified in a regional technical review, in the north-western section of this block. In addition the stratigraphic play concept identified in the adjacent permit also has the potential to extend into WA-443-P, and geological and geophysical studies are currently being carried out on this block in conjunction with similar work in the adjacent permits.

This permit is expected to be considered for farm out following the drilling of the Phoenix South-1 well in WA-435-P.

WA-399-P permit – Western Australia (NW Shelf)

(Carnarvon 13%, Apache Energy Limited 60% and Operator, Jacka Resources 15% and Rialto Energy 12%)

Although the joint venture received Government approval to defer the drilling commitment by six months to allow further technical and commercial work to be undertaken, taking into account the potential of the block and the activities in the surrounding acreage, Carnarvon intends to exit this permit in due course but prior to entering into a \$12 million drilling commitment year.

L20/50 Concession – Thailand

(Siam Moeco Limited 100%)

Siam Moeco have completed 3D seismic data acquisition in preparation for exploration drilling in the concession in 2014. In the event of commercial production Siam Moeco Limited will pay Carnarvon US\$4.7 million and an overriding royalty capped at US\$5.5 million.

L52/50 & L53/50 Concessions - Thailand

(Carnarvon 100% and Operator - *subject to Government approval of recent 50% interest transfer*)

The L52/50 and L53/50 concessions cover the Khian Sa Basin in Southern Thailand and are adjacent to a number offshore oil-producing basins in the Gulf of Thailand, including the Chumphon Basin.

Since being awarded the L52/50 and L53/50 concessions in 2010, the Company has acquired 314 km of 2D seismic data. The interpretation of this data has identified a number of prospects including the Ta Chana prospect which has an internally assessed mean potential of 80 million barrels of recoverable oil.

Carnarvon continued its technical work and has commenced the environmental approvals process on the block while seeking a partner to join the Company in drilling two wells including the Ta Chana prospect.

L33/43 concession - Thailand

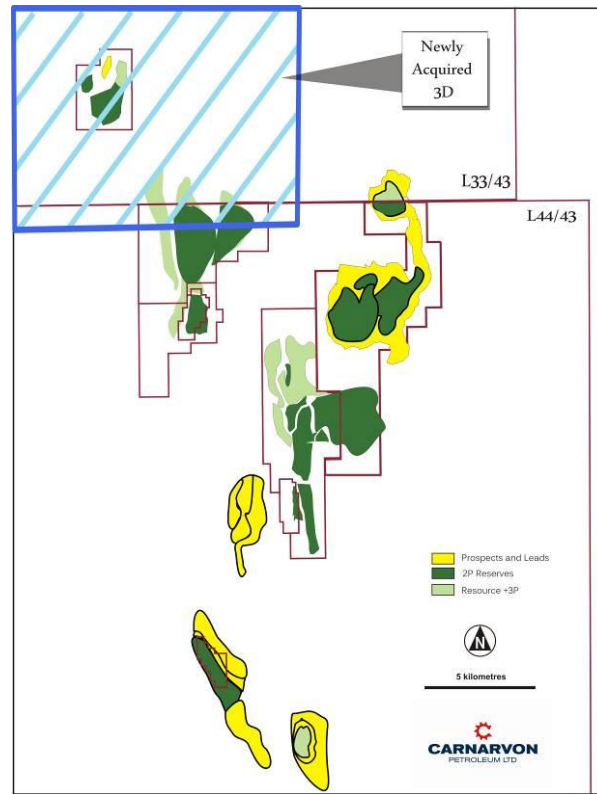
(Carnarvon 40% and Towngas 60% and Operator)

Processing is now complete on the 100km² 3D seismic acquisition acquired over the south-western portion of the L33/43 concession earlier in 2013.

Initial interpretation has identified development locations for the shallow igneous horizons, in which two wells were previously drilled and which flowed at rates up to 2,400 bopd.

The new seismic indicates that further potential exists from deeper intervals that are related to the main WBEXT WBV1 and WBV2 igneous reservoirs, where significant volumes of oil have been produced from fields around 5km to the south.

A mix of development drilling into the shallow reservoirs and exploration drilling into the deeper reservoirs will form part of the upcoming drilling campaign, expected to commence November 2013.



Oil fields, prospects and leads in the L44/43 and L33/43 concessions in Thailand and new 3D area over the L33-1 and L33-2 discoveries and the extension of the WBEXT sandstone and igneous reservoirs

L44/43 concession - Thailand

(Carnarvon 40% and Towngas 60% and Operator)

PRODUCTION

Carnarvon’s share of production during the quarter was 48,299 bbls at an average net rate of 524 bopd (1,312 bopd gross) representing a 9% increase over the previous quarter. This increase was primarily due to the commencement of production from the WBEXT-2C well from around 8 August 2013.

Drilling is expected to recommence during the December 2013 quarter and will focus on the WBEXT and L33/43 production licence areas.

SANDSTONE OIL DEVELOPMENT

Water injection commenced into the WBEXT-1G well late August 2013, completing the development of the WBEXT-1B fault block enhanced oil recovery program.



Figure 1 - Water injection equipment onsite at the WBEXT water flood project

Eight wells were drilled in 2013 in the WBEXT-1B fault block in order to develop the reserves in the “D” and “E” sandstone reservoirs in the WBEXT area. A water flood project was also recommended to improve the overall recovery and manage reservoir pressure to increase flow rates.

Injunctivity tests on the WBEXT-1G water injection well occurred during the quarter and proved the capacity to inject at rates of several thousand barrels of water per day.

During initial commissioning the water is being injected at between 200 and 400 barrels per day while pressures and water conditions are being monitored.

After around one month of injectivity the project is performing as expected.

DEVELOPMENT – IGNEOUS RESERVOIRS

Technical work initiated since the start of 2013 has been applying new geological, petrophysical and reservoir engineering expertise along with ongoing geophysical interpretation to determine development locations in the WBEXT and other fields. The first of these locations was drilled during the quarter with the successful WBEXT-2C well. A number of follow-up wells are being planned to develop the WBEXT WB VI and VII igneous reservoirs with the next wells anticipated to spud late November 2013.

WBEXT-2C WELL

The WBEXT-2C well was a development appraisal well of the WBEXT WB VI and VII igneous reservoirs. This well was drilled over the entire igneous sections and identified 2 to 3 prospective oil zones. The well was openhole completed over the lower section of the WBV II igneous. To date the well has produced around 12,000 bbls of oil. Current interpretation is that dry oil is being produced from 1230 to 1260 m MD while water of up to 1,000 bbls per day is being produced from a deeper zone and is backing out oil production.

Back pressure and variable rate testing will continue on this well to more fully understand the flow regimes from both zones before a workover program is undertaken to block off the lower water zone. Another oil zone in the upper WB VI has also been interpreted from well logs and intended for future development with this well or another well.

The results from the WBEXT-2C well are being used in the development planning of further wells in the area.

ALRO

Six wells, producing around 200 bopd in aggregate (gross) at the time they were shut-in, remain off-line whilst discussions continue with the Agricultural Land Reform Office (ALRO) on the matter.

RESERVES

Carnarvon's reserves are contained within the L33/43, L44/43 and SW1 Concessions in Thailand in which Carnarvon has a 40% equity interest. The Operator of these Concessions commissioned Chapman Petroleum Engineering Ltd ("Chapman") to undertake a third party independent appraisal of reserves for government reporting and planning purposes. Chapman completed a Reserve and Economic Evaluation of these Concessions and performed this service in line with end of calendar year requirements for the Department of Mineral Fuels ("DMF") in Thailand. Chapman certified the following reserves net to Carnarvon as at 31 December 2012:

- | | |
|-----------------------------------------------|-------------|
| • Proved reserves (1P) | 3.4 mmbbls |
| • Proved and probable reserves (2P) | 12.2 mmbbls |
| • Proved, probable and possible reserves (3P) | 33.5 mmbbls |

The Company's Chief Operating Officer, Mr Philip Huizenga, who is a full-time employee of the Company and qualified in accordance with ASX Listing Rule 5.11, has consented to the form and context in which this reserves statement appears.

CORPORATE / FINANCIAL

The Company's cash reserves at the end of the quarter were \$19.9 million, compared to \$20.9 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.

Net revenue for the quarter was \$4.9 million on 48,299 bbls of oil sold, generating a positive operating cash flow before tax of \$2.7 million from the L44/33 and L33/43 concessions in Thailand.

Separate from the above, \$2.0 million was spent on drilling, water injection and 3D seismic activities in the concessions in Thailand and \$1.3 million on technical work, new ventures and corporate costs and \$1.1 million was paid in relation to Thailand Petroleum Income Tax for the six months to 30 June 2013.

The company holds a significant portion of its cash balance in Thai Baht and United States Dollars. Therefore, the Company has reflected an unrealised foreign currency loss of \$0.6m due to the appreciation of the Australian Dollar during the quarter in the reported cash reserves.

Key Statistics	Units	Current quarter	Previous quarter
Capital			
Share price	¢/share	6.5	4.0
Market capitalisation	A\$m	61	37
Cash	A\$m	19.9	20.9
Debt	A\$m	None	None
Hedging	A\$m	None	None
Production			
Oil produced (net to Carnarvon)	bbls	48,299	44,035
Average oil produced (gross field)	bopd	1,312	1,209
Average sale price	A\$/bbl	102.07	93.94
Cash flows			
Net sales revenue	A\$m	4.9	4.1 ¹
Production operating costs	A\$m	(2.2)	(2.0)
Operating cash flow before tax	A\$m	2.7	2.1
Technical, new ventures and corporate costs	A\$m	(1.3)	(1.2)
Exploration and development costs (including drilling)	A\$m	(2.0)	(1.3)
Foreign currency translation (loss) / gain	A\$m	(0.6)	1.6
Thai petroleum income tax	A\$m	(1.2)	-
Adjusted net sales revenue	A\$m	1.4 ¹	-
Net cash flow	A\$m	(1.0)	1.2

¹ Note \$1.4m of May 2013 sales revenue was received on 2 July 2013 and is not included in total cash of \$20.9 million for 30 June 2013.

Abbreviations

A\$	Australian dollars
AVO	Amplitude Versus Offset (geophysics)
Bopd	Barrels of oil per day
Bwpd	Barrels of water 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 igneous reservoir in which there is three key igneous 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
Tcf	Trillion Cubic Feet