

Thailand Operations Update

27 May 2011



Carnarvon Petroleum Limited ("Carnarvon") (ASX:CVN) is pleased to provide an operations update covering its onshore Thailand assets, being:-

- A 40% interest in the SW1A, L33/43 and L44/43 exploration Concessions (within which the existing production licences reside); and
- A 50% interest in the L20/50, L52/50 and L53/50 exploration Concessions.

Highlights

- Production is currently 2,842 BOPD (1,136 BOPD net)
- WBEXT-1E development well encountered excellent quality "E" sand reservoir and is currently producing at stabilised rates between 230-300 BOPD
- In the near term, drilling operations will include six infill wells in the WBEXT sandstone reservoir
- The sandstone reservoirs typically produce less prolifically than the volcanic reservoirs in this region but production is more stable over a longer term
- Test results from sidewall core and cuttings data are expected in the September 2011 quarter that will enable Carnarvon to finalise its assessment of the recent L20/50 drilling programme
- A 500km 2D seismic programme recently commenced in the L52/50 and L53/50 concessions

CEO Comment

Thailand is an important region for Carnarvon and its production operations have historically generated very strong cash flows and earnings for the Company.

Production is currently at a lower rate than we've seen for some time and we are working hard to improve these production rates. This is occurring by focusing on steadier production from the newer sandstone reservoirs around WBEXT, continuing to target the traditional volcanic reservoirs and exploring and appraising new oil accumulations.

We are encouraged that a number of the recent WBEXT sandstone reservoir wells are producing at the stabilised rates that we expected from these reservoirs. Further near term infill wells into this sandstone reservoir are expected to gradually build our base of stable production over the next quarter.

We also want to continue to target the upside opportunities in the L44/43 and L33/43 Concessions around the volcanic reservoirs particularly, but will do this in a balanced way in the near term having regard to our objective of increasing production from current levels.

In relation to the L20/50 Concession, we continue to assess the recent well data ahead of receiving the test results from sidewall core and cuttings.

We are particularly excited to have initiated 2D seismic data acquisition in the L52/50 and L53/50 concessions that we expect will support an active drilling programme in 2012.

Production

Thailand oil production is currently 2,842 BOPD gross (1,136 BOPD net) from Concessions L44/43, SW1A and L33/43.

As outlined in the March 2011 quarterly report, the Company had limited success in drilling four exploration wells at Concession L44/43 during the previous quarter, which when coupled with shutting in wells to meet license requirements, resulted in lower production rates. Exploration wells were drilled at Si Thep, Na Sanun East (NSE-E4) and two new exploration areas (L44-E and L44-F) resulting in three unsuccessful wells and one well with minor oil production.

At Concession L33/43 work continued during the past month around sidetracking the L33-2 well in order to evaluate the WBV1 volcanic reservoir. This well is on test and producing at low oil rates.

Concessions L44/43 & L33/43 *(which include the production licences)*

The recently completed WBEXT-1E development well encountered an excellent quality “E” sand reservoir approximately 500 metres west of the original WBEXT-1B discovery well, and is currently producing at 230 BOPD. Results from the WBEXT field “E” sand have been encouraging with stabilized rates of between 230-300 BOPD and an inventory of approximately 15-20 locations remaining in the main fault compartment alone. This reservoir is expected to be a near term focus of drilling activity.

In the Wichian Buri field, approximately 75 BOPD is currently shut-in while two new cellars are added at each of the POE-3, POE-6 and WBN-2 surface locations. A six well infill program is planned to commence shortly, targeting rates of 50-100 BOPD per well with each well taking approximately 4 days to complete a vertical well and slightly longer time to complete highly deviated / horizontal wells. It is expected that, following success in the initial infill program, a second, larger infill program will be initiated.

Exploration Concessions L52/50 & L53/50

The operator of these blocks (Pearl Energy) in which Carnarvon has a 50% interest recently commenced a 500 km 2D seismic survey. The survey is anticipated to take around four months to acquire the data with completion scheduled for around late September 2011.

Exploration Concession L20/50

Test results from sidewall core and cuttings data are expected in the September 2011 quarter that will enable Carnarvon to refine its views on the prospectivity of L20/50 Concession. Carnarvon has commenced planning for a 3D seismic survey that is subject to Government and Joint Venture approval.

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Thailand 2011 Drilling – Concessions L33/43 & L44/43

