

Quick Comment

Carnarvon Petroleum Ltd (CVN \$0.095) Speculative Buy

Analyst	Date	Price Target
Jon Bishop	8 th June 2016	\$0.15/sh

Roc-2 Update

Key points

- CVN has advised that the Roc-2 appraisal well is likely to spud late Jun/early July;
- The well will undertake comprehensive analysis of the reservoir with full coring over the primary Caley reservoir sandstones and Drill Stem Testing in a success case. The well will:
 - Appraise up to 372Bcf gas and 18mmbbls of associated condensate (gross);
 - Assess additional prospective resources of up to 328Bcf of gas and 16mmbbls of assoc. condensate (gross);
 - The drilling will help to refine development concepts for a production hub in the Phoenix area: current thinking is that a minimum volume of 325Bcf and 17mmbbls of condensate will support commercial development;
- Comprehensive analysis of side-wall core from the Roc-1 well has improved confidence around reservoir permeabilities and porosities, particularly within the Sand 2 and Sand 4 reservoirs;
- Porosities of 12.5% and 14% and permeabilities of 300-500mD and 40mD in Sand 2 and 4 respectively, are well above previous estimates and are encouraging for commercial flows on test;
- Furthermore, analysis indicates Condensate-Gas Ratios of 60bbls/mmscf vs prev. est of 20-40;
- CVN is catalyst rich over the medium term with Roc-2 as well as the Outtrim East appraisal/exploration well due to spud mid this month. Success at Outtrim East could lead to a commercialisation pathway within a couple of years;
- We retain our Speculative Buy recommendation noting that the current share price is trading at cash backing of circa \$0.094/sh (A\$95.5m at Mar 31) and below NTA when accounting for the (up to) US\$31m in future cash receipts assoc. with the outstanding Thai royalties.
- With a largely open register, there is clear risk that CVN is subject to a corporate approach noting that the listed energy sector has and remains largely capital constrained.

Investment Thesis

We remain attracted to CVN as the Company trades near cash backing with two significant drill catalysts due in the short term. The technical focus of the Team and the clear, focused impactful exploration strategy has been well managed (in terms of risk and reward) for the Phoenix Area. We believe that the Team therefore is eminently back-able for future projects including the new NWS acquisition. CVN remains fundamentally undervalued, little to no value is being attributed to the Company's asset suite inclusive of the sizable (3rd party verified) oil volumes and a growing prospective acreage portfolio on the NWS. We retain our Speculative Buy recommendation.

Carnarvon Petroleum Ltd (CVN)

Share Price	0.095	A\$/sh	Enterprise Value	3	A\$/m
Price Target	0.15	A\$/sh	Debt	0	A\$/m
Valuation	0.15	A\$/sh	Cash	96	A\$/m
Shares on issue	1016	m(dil)	Largest Shareholder	Mgmt	-6%
Market Capitalisation	99	A\$m			

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