

Phoenix South-2 well drilling update

8 December 2016



Carnarvon Petroleum Limited (“Carnarvon”) (ASX:CVN) provides the following update on drilling operations of the Phoenix South-2 well, which is nearing the primary target, as advised by the operator Quadrant Energy.

Progress

The rig has completed operations to set and cement the 9 5/8” liner and has commenced drilling ahead to the Caley sandstone formation target.

Current Operations

The well is currently drilling ahead in the Hove formation at around 4,840 metres measure depth (see Figure 1).

Primary Target

The primary target for the Phoenix South-2 well, the Caley Sandstone targeting the same gas-condensate that flowed at prolific rates in the nearby Roc-2 well, has an estimated gross mean prospective resource of 470 Bscf of gas and 25 million barrels of condensate (see announcement of 14 November 2016 – see cautionary statement on page 5). The equivalent reservoir flowed at an equipment constrained rate of around 50 million standard cubic feet per day of gas and 3,000 barrels per day of condensate (11,500 barrels of oil equivalent per day) from a vertical section of around 35 metres in the Roc-2 well (see announcement 20 October 2016).



Image of the Ocean Monarch flow testing at the Roc-2 well

Forward Plan

The rig is expected to take around 2-3 weeks to drill the final section of the well to a measured depth of approximately 5,500 metres and evaluate the Caley reservoir section with wireline logging tools.

The Phoenix South-2 well is located within the WA-435-P exploration permit in the North West Shelf of Australia. The equity interest holders are:

Carnarvon Petroleum	20%
Quadrant Energy (<i>Operator</i>)	80%

Yours faithfully



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Figure 1: Stratigraphic column expected to be encountered by the Phoenix South-2 well with major formations outlined.

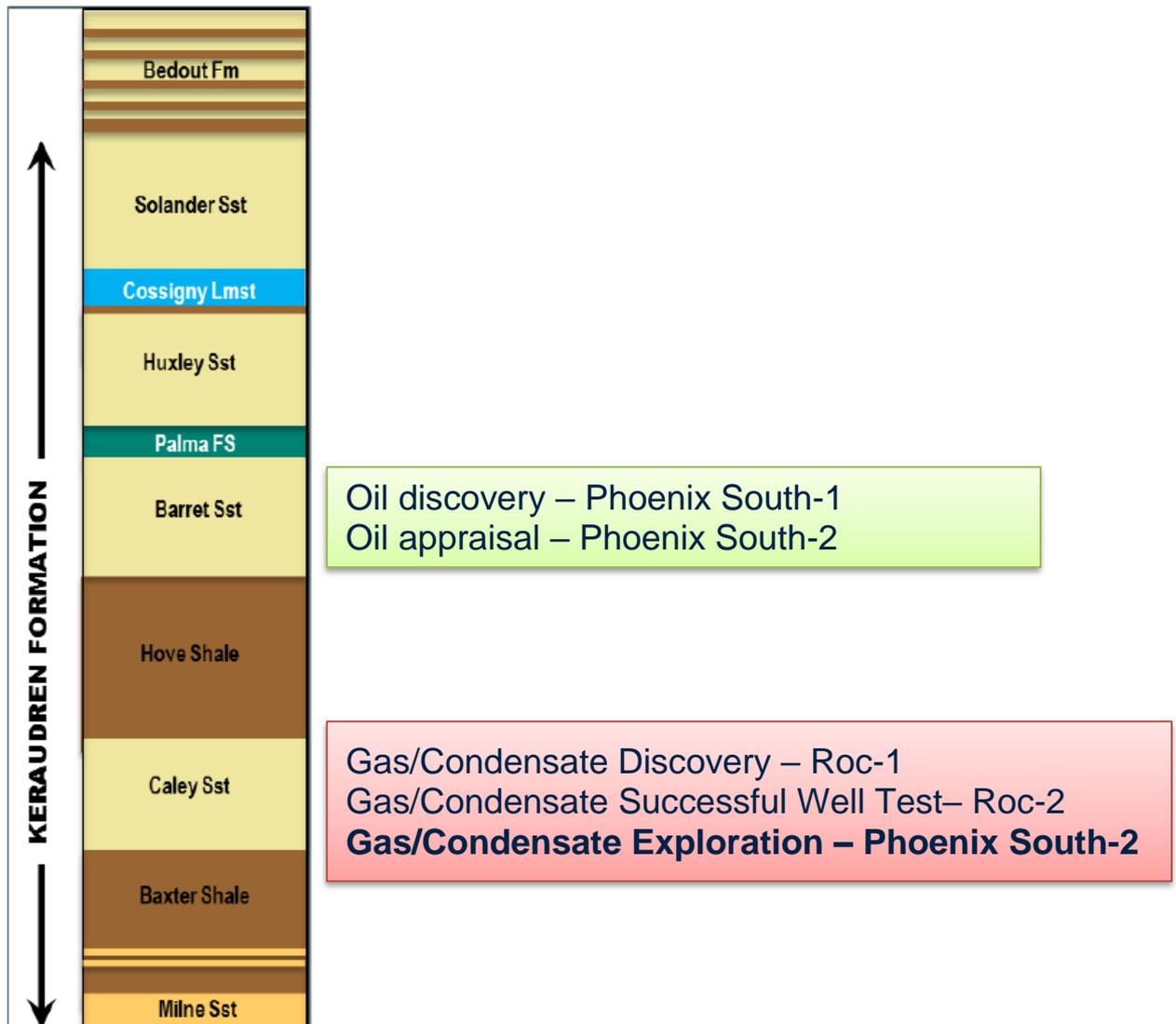


Figure 2 - Location of the Phoenix South-2 well

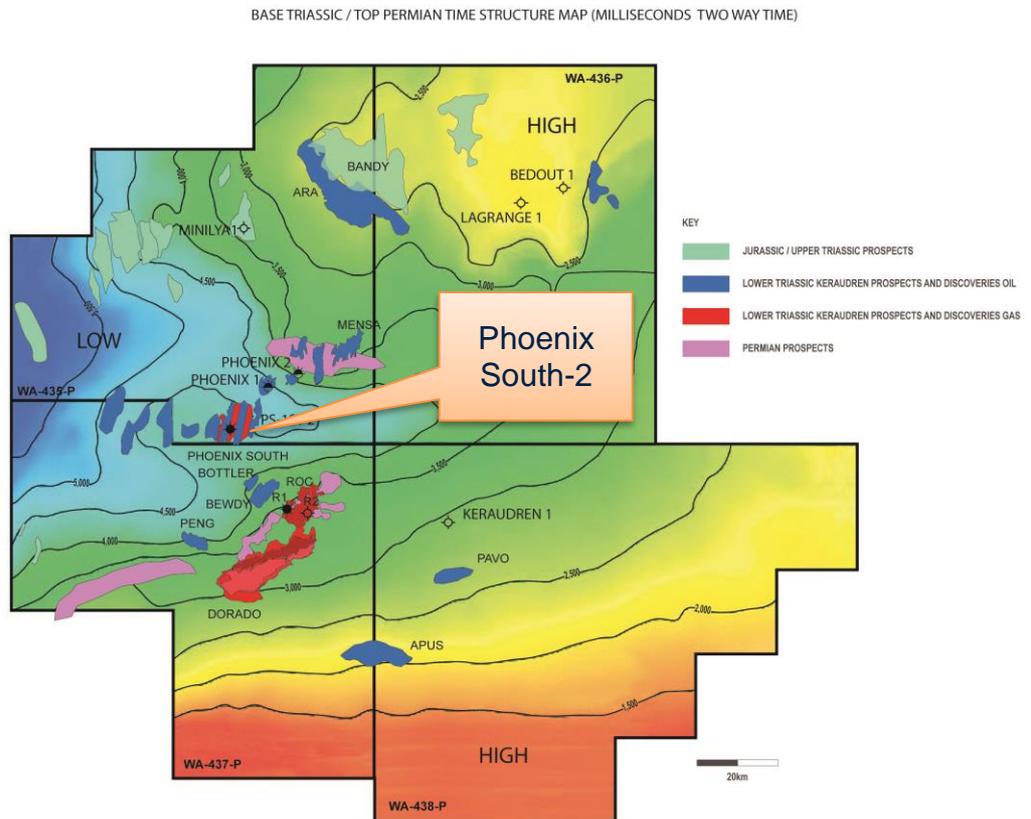
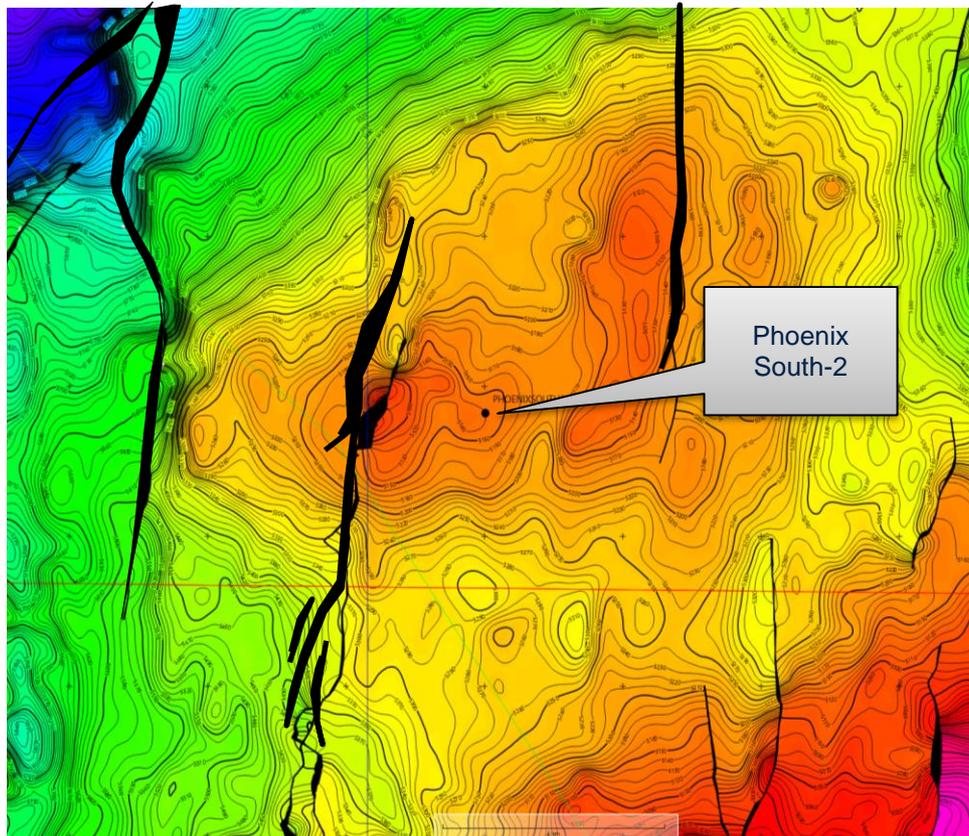


Figure 3: Caley depth map



Cautionary Statement and Resource Information

The Resource estimates outlined in this report have been prepared by the Company's Chief Operating Officer, Mr Philip Huizenga, who is a full-time employee of the Company. Mr Huizenga has over 25 years' experience in petroleum exploration and engineering. Mr Huizenga holds a Bachelor Degree in Engineering and a Masters Degree in Petroleum Engineering. Mr Huizenga is qualified in accordance with ASX Listing Rules and has consented to the form and context in which this statement appears.

All contingent and prospective resources presented in this report are prepared as at 14 November 2016 per the Company's announcement released to the ASX on 14 November 2016. The estimates of contingent and prospective resources included in this announcement have been prepared in accordance with the definitions and guidelines set forth in the SPE-PRMS. Carnarvon is not aware of any new information or data that materially affects the information included in this presentation and that all material assumptions and technical parameters underpinning the estimates in this presentation continue to apply and have not materially changed.

Carnarvon uses probabilistic methods for estimation of petroleum resources at the field and project levels.

There are numerous uncertainties inherent in estimating reserves and resources, and in projecting future production, development expenditures, operating expenses and cash flows. Oil and gas reserve engineering and resource assessment must be recognised as a subjective process of estimating subsurface accumulations of oil and gas that cannot be measured in an exact way. These prospective resource estimates have an associated risk of discovery and risk of development. Further exploration and appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Forward Looking Statements

This document may contain forward-looking information. Forward-looking information is generally identifiable by the terminology used, such as "expect", "believe", "estimate", "should", "anticipate" and "potential" or other similar wording. Forward-looking information in this document includes, but is not limited to, references to: well drilling programs and drilling plans, estimates of reserves and potentially recoverable resources, and information on future production and project start-ups. By their very nature, the forward-looking statements contained in this news release require Carnarvon and its management to make assumptions that may not materialize or that may not be accurate. The forward-looking information contained in this news release is subject to known and unknown risks and uncertainties and other factors, which could cause actual results, expectations, achievements or performance to differ materially, including without limitation: imprecision of reserve estimates and estimates of recoverable quantities of oil, changes in project schedules, operating and reservoir performance, the effects of weather and climate change, the results of exploration and development drilling and related activities, demand for oil and gas, commercial negotiations, other technical and economic factors or revisions and other factors, many of which are beyond the control of Carnarvon. Although Carnarvon believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurances that the expectations of any forward-looking statements will prove to be correct.