

Phoenix project drilling update

29 June 2017



Highlights

- Phoenix South-3 well expected to commence in early 2018, rig contract in final stage of evaluation
- Phoenix South-2 insurance claim submitted, proceeds expected to fund most of Phoenix South-3 cost
- Dorado-1 well expected to commence in mid 2018 to take advantage of drilling program synergies
- Roc development work progressing to plan

Carnarvon Petroleum Limited (“Carnarvon”) (ASX:CVN) provides the following update on its upcoming drilling program as advised by the operator, Quadrant Energy.

Phoenix South-3

The Phoenix South-3 well is being designed as a redrill of the Phoenix South-2 well that discovered gas and condensate at the top of the Caley interval (refer CVN ASX announcement on 19 December 2016 and 28 March 2017). The well is to be located within close proximity to the Phoenix South-2 well.

The Phoenix South Caley structure is estimated to contain a gross mean recoverable prospective resource of 489 Bscf of gas and 57 million barrels of associated condensate (being 143 million barrels of oil equivalent (“boe”), gross, Pmean) – Refer to ASX Announcement on 28 March 2017. This is a significant resource base and especially so when combined with the Roc resource.

The estimated condensate-to-gas ratio (“CGR”) is very high which adds a great deal of value to the project. The CGR is based on surface gas sampling from a permeable section at the top of the Caley Sandstone encountered while drilling the Phoenix South-2 well.

The primary objective of the Phoenix South-3 well is to evaluate the Caley interval that the Phoenix South-2 well drilled into but was unable to drill through and evaluate. The Phoenix South-3 well design is being constructed to specifically allow for the evaluation of this Caley interval, unlike the Phoenix South-2 well where the design objective was to evaluate a broader range of reservoir intervals.

The successful control of the increased pressure encountered in the Phoenix South-2 well led Carnarvon and the Operator to submit cost recovery claims under their respective insurance policies. These claims are currently in the final stages of assessment by the insurance underwriters. A successful claim will result in proceeds from the claims covering the majority of the cost of drilling the Phoenix South-3 well.

The well will be drilled with a semi-submersible drilling rig. Quadrant Energy is in the final stages of evaluating tenders for this rig.

Dorado-1

The Dorado-1 well is targeting multiple stacked reservoirs within the Caley interval. The top sand alone is estimated to contain a gross mean recoverable prospective resource of 545 Bscf of gas and 31 million barrels of associated condensate – Refer to ASX Announcement on 14 November 2016.

The Operator had requested and received tenders for a jack-up rig to drill the Dorado-1 well this year. With limited jack-up rig availability in the second half of 2017, it was determined that significant cost savings and more efficient well operations would occur by aligning the drilling of Dorado-1 with Quadrant Energy's drilling campaign next year. In addition to the above, Quadrant Energy and Carnarvon considered the importance of minimising exposure to the local cyclone season, typically starting late in the calendar year through to early in the new year. Accordingly, the Dorado-1 well has been rescheduled to take place in mid 2018. The current intention is to drill this well with a jack-up drilling rig.

Roc Development

The Joint Venture has commenced pre-FEED (Front End Engineering and Design) work aimed at determining the most robust concept for developing the discovered hydrocarbons in the Phoenix project area. This work includes detailed reservoir modelling at Roc in order to determine the ideal development of this structure. Based on this work, the northern extent of the Roc reservoir will be a focus to provide greater certainty on the gas and condensate resource and ultimately support the reclassification of volumes into the more robust Proved category for making a Final Investment Decision ("FID").

All of the development scenarios being progressed include options for the tie-back of future discoveries and appraisal resources. This flexibility includes the nearby and potentially larger Dorado and Phoenix South resources should they be matured to economic resources.

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

Yours faithfully



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Figure 1: Stratigraphic column with major formations outlined.

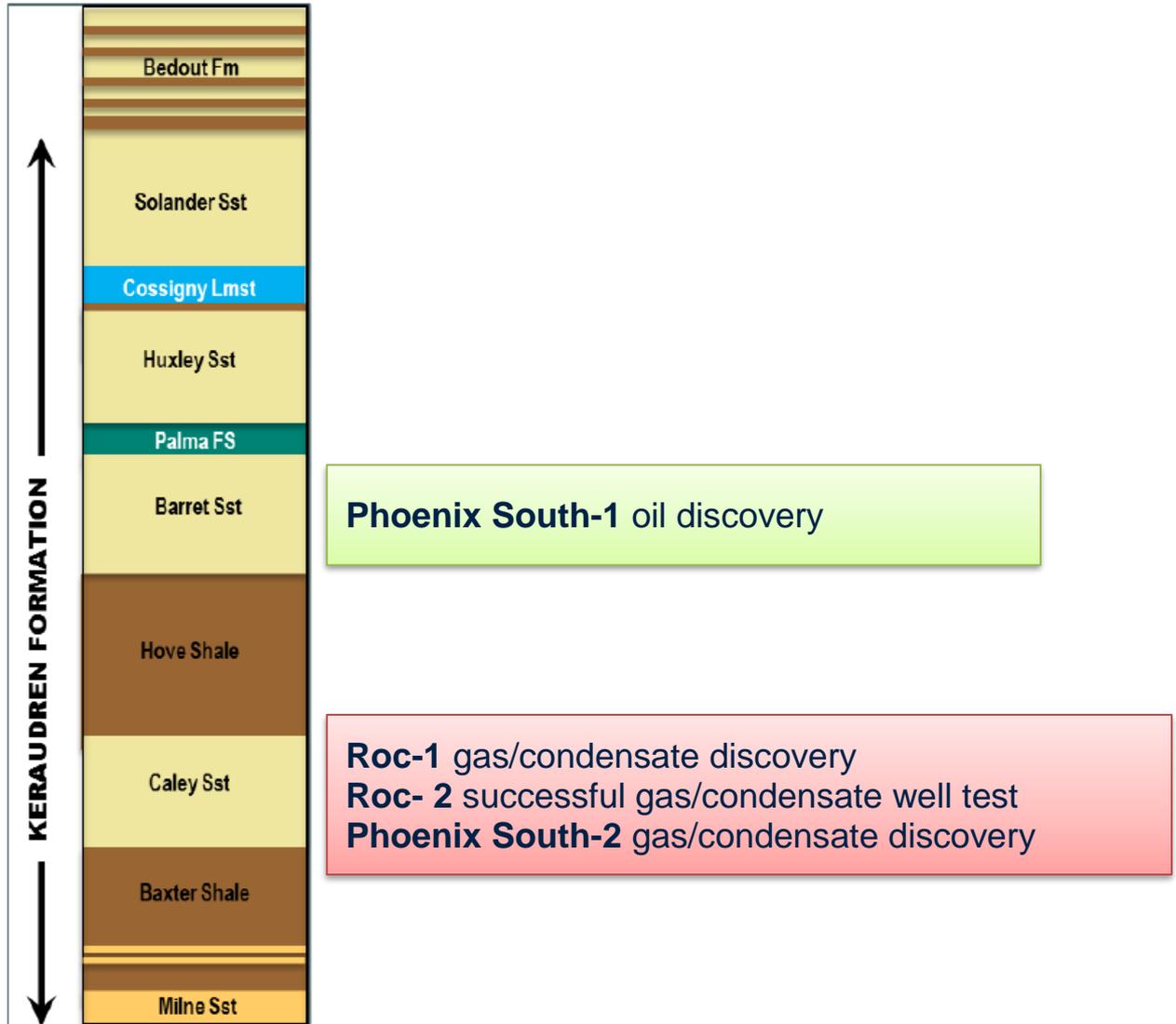


Figure 2 - Location of the Phoenix South-3 well

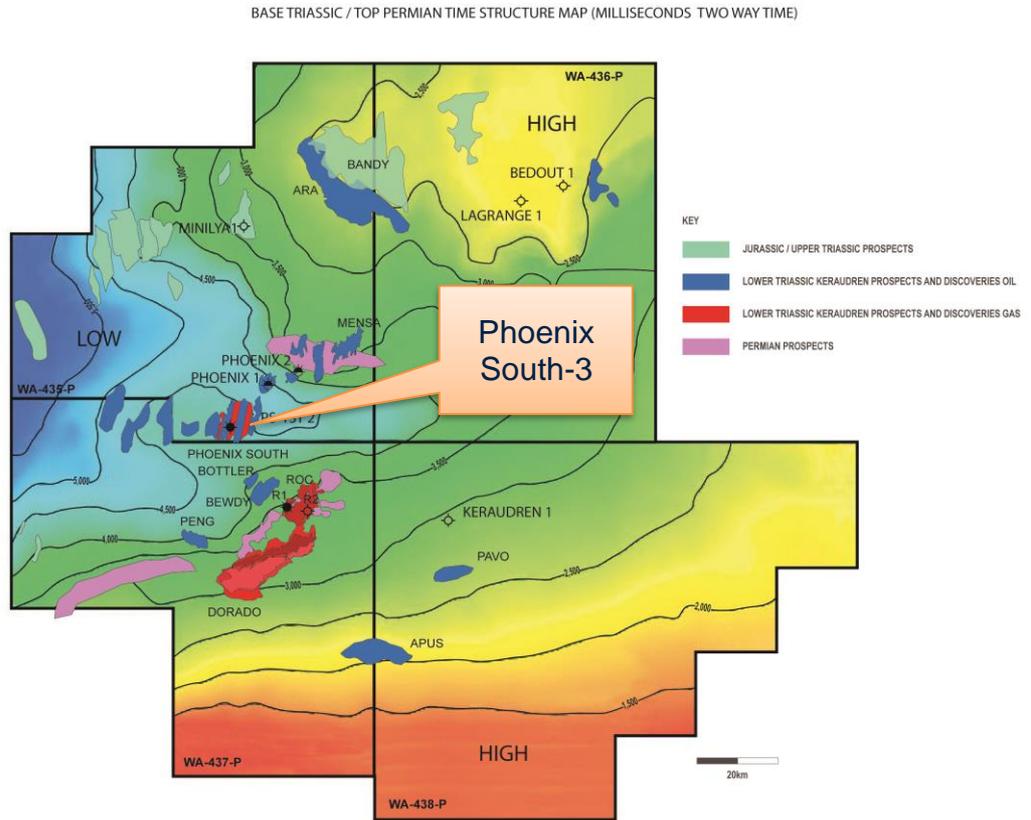
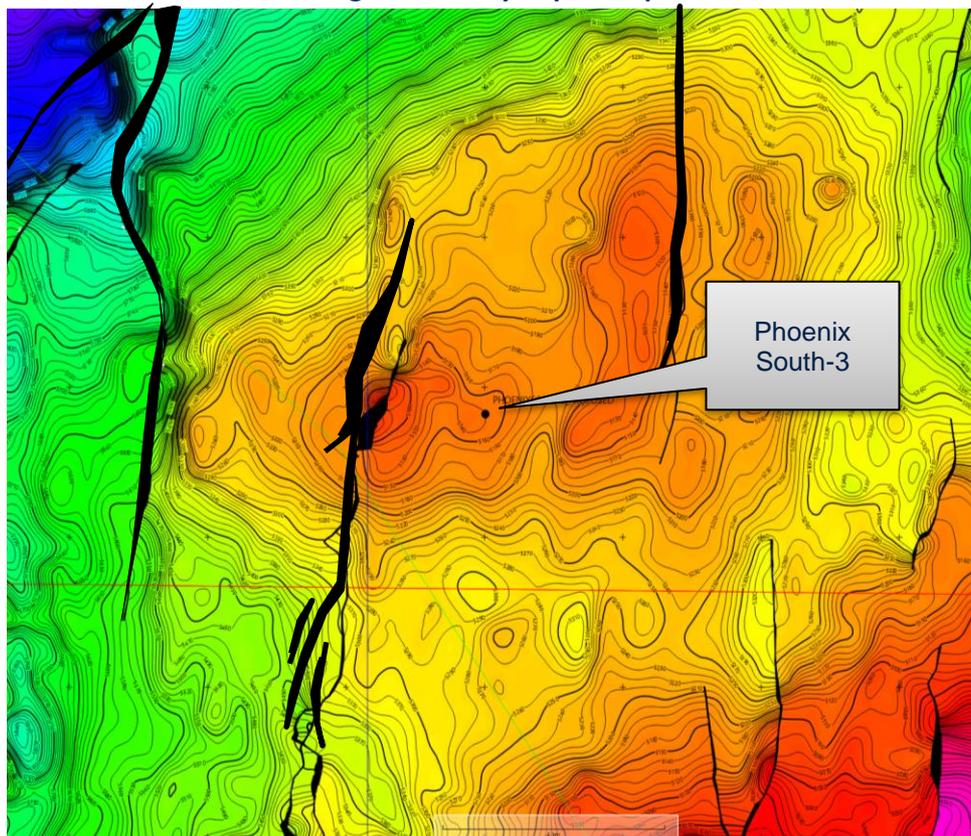


Figure 3: Caley depth map



Cautionary Statement

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.

Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project and may relate to undiscovered accumulations. 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.

Resources

All contingent and prospective resources presented in this report are prepared as at 14 November 2016 and 28 March 2017 (Reference: CVN ASX releases of 14 November 2016 and 28 March 2017). 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 and have been prepared using probabilistic methods.

Carnarvon is not aware of any new information or data that materially affects the information included in this report and that all material assumptions and technical parameters underpinning the estimates in this presentation continue to apply and have not materially changed.

Competent Person Statement Information

The Resource estimates outlined in this report were compiled by the Company's Chief Operating Officer, Mr Philip Huizenga, who is a full-time employee of the Company. Mr Huizenga has over 20 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.

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.