

Phoenix South-3 – drilling update

29 June 2018



Carnarvon Petroleum Limited (“Carnarvon”) (ASX:CVN) is pleased to provide the following update on the drilling of the Phoenix South-3 (“PS-3”).

Progress

The 10-5/8” hole has been drilled down to 5,041 metres Measured Depth. Progress has been slower than anticipated due to precautionary inspection and maintenance procedures being undertaken since the last update and the rate of penetration through the seal rock.

Current Operations

The rig is currently drilling ahead.

Forward Plan

Drill the 10-5/8” hole from 4,945 metres MD to approximately 5,160 metres MD. Following this the 9 5-8” liner will be set before drilling will continue in the 8-1/2” hole. The primary target Caley reservoir is anticipated to be intersected in the 8-1/2” hole at a depth of approximately 5,183 metres MD.

Comparison to Phoenix South-2 (“PS-2”)

The PS-3 well is in close proximity to the previous PS-2 well and as expected is encountering similar geological features. All formations are coming in close to prognosis. The well logs look similar in character between the two wells. Oil shows recognised in the Hove in PS-2 were also encountered in PS-3, albeit in better developed sands, however Carnarvon is not proposing further investigation of these sands in this well. The well is currently drilling through the top seal of the prospective Caley reservoir.

Well Objective

The primary objective for the Phoenix South-3 well is to evaluate the gas and condensate potential of the Caley Member within a large, faulted anti-clinal closure that was partially penetrated with the Phoenix South-2 well.

Phoenix South-2 encountered gas and condensate in the Caley Member but was unable to drill through and evaluate the formation. The Phoenix South-3 well has been optimally designed to penetrate and evaluate the hydrocarbon bearing formations of the Caley Member.

Phoenix South-3 is located around 560 metres North-North East of the Phoenix South-2 well. The well will target a closure that is estimated by Carnarvon 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. 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 (including this well) is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Project equity Owners:

Carnarvon Petroleum

20%

Quadrant Energy (*Operator*)

80%

Yours faithfully



Adrian Cook
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Carnarvon Petroleum

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Figure 1 – Location of the Phoenix Project

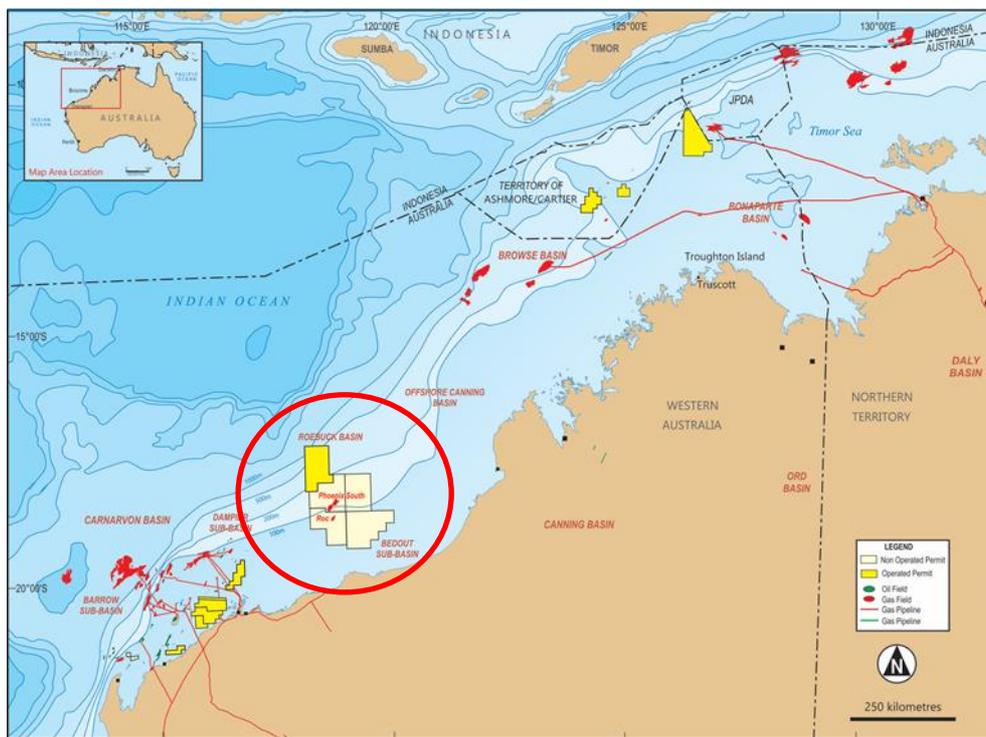


Figure 2 - Location of the Phoenix South-3 well within the project

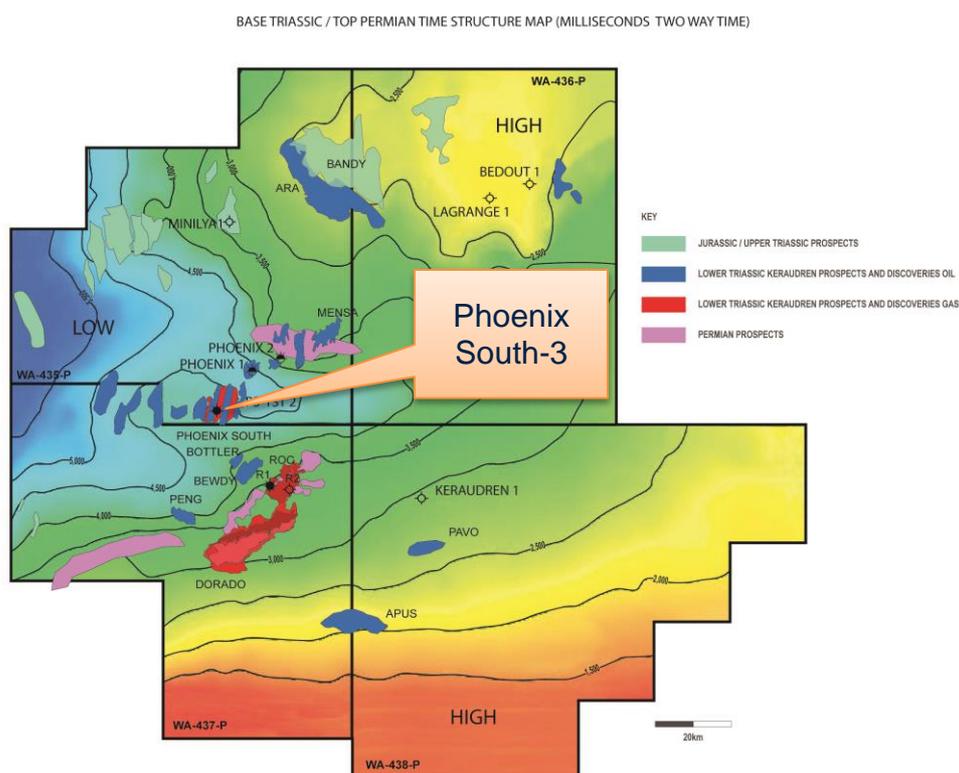


Figure 3: Caley depth map and positioning of the Phoenix South-3 well

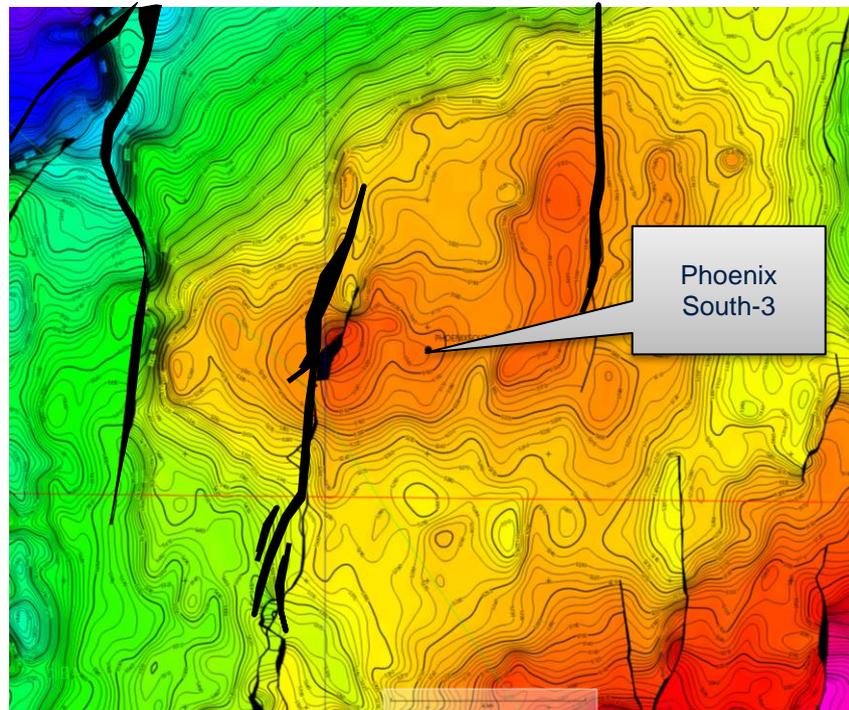
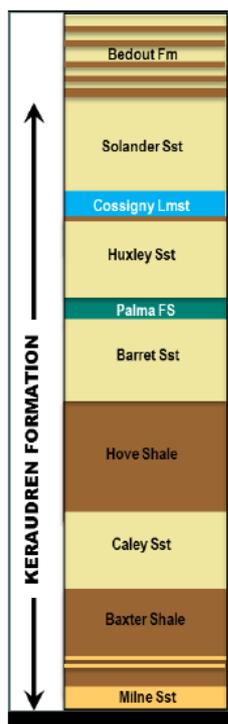


Figure 4: Geological formation diagram



Primary objective is to evaluate the gas and condensate discovered in Phoenix South-2 at the **Caley Sandstone** within the Keraudren Formation

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 23 April 2018 (Reference: CVN ASX releases of 23 April 2018). 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 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.

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.