

Quick Comment

Carnarvon Petroleum Ltd (CVN \$0.47) Speculative Buy

Analyst	Date	Price Target
Jon Bishop	31 st July 2018	\$0.50/sh

Dorado-1 drilling update

Key Points

Dorado-1 has drilled down to ~4620 meters Measured Depth.

- Observations through drilling have highlighted:
 - A number of sandstone intervals have been encountered whilst drilling through Crespin and Milne Members;
 - Elevated gas readings and high resistivity were observed suggestive of porous and permeable zones and indicating the presence of hydrocarbons;
- These positive observations within the additional Dorado targets warrants further wireline logging to obtain definitive results including;
 - Hydrocarbon composition (oil, gas and condensate);
 - Net-to-gross measurements;
 - Reservoir characteristics.

CVN will continue to drill down to a revised 4650 meters MD prior to running wireline logging tools.

Investment Thesis

Dorado appears a material oil discovery with clear standalone potential, with hydrocarbon presence in Crespin and Milne targets is testament to this. Moreover, the Oil Water Contact has not been encountered and the well continues to drill through oil shows. What we like is that oil discoveries in shallow water and benign jurisdictions have relatively low barriers to commercialisation. Recovering oil prices are stimulating permitting and M&A activity in the E&P industry: this result will clearly shine a corporate spotlight on CVN. The WPL transaction with Finder Exploration is a good example and we believe similar moves are afoot particularly focused on the Dampier Sub-Basin and emerging Triassic play that CVN and Quadrant have identified at the Phoenix Hub. We retain our Speculative Buy recommendation believing that CVN has identified a new commercial discovery in the NWS and can also take the Buffalo oil project through to commercialisation. In either instance, CVN will realise a much higher share price.

Carnarvon Petroleum Ltd (CVN)

Share Price	0.47	A\$/sh	Enterprise Value	491	A\$/m
Price Target	0.50	A\$/sh	Debt	0	A\$/m
Valuation	0.44	A\$/sh	Cash (est.)	50	A\$/m
Shares on issue	1184	m(dil)	Largest Shareholder	mgmt	-6%
Market Capitalisation	541	A\$m			

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