

Phoenix South-1 Well Update

8 July 2014



Highlights

- **Side-track operation was successful**
- **Drilling operations are currently at approximately 1,960m**
- **Previously set 9-5/8" casing was retrieved along with stuck casing hanger tool**

Carnarvon Petroleum Limited ("Carnarvon", or "the Company") (ASX:CVN) reports that the Phoenix South-1 well has commenced drilling operations in the side track wellbore.

As at 06:00 hours on 7 July 2014 the well was drilling ahead at approximately 1,960m on the way to the 9 5/8" casing point of around 3,700m.

As reported on 23 June 2014, a new side-track wellbore section of the Phoenix South-1 well was required to be drilled below the 13 3/8" casing depth, due to a stuck 9 5/8" casing hanger seal assembly running tool ("casing tool").

In order to retrieve the stuck casing tool, the upper portion of the previously set 9 5/8" casing was cut and retrieved along with the casing tool.

The original wellbore was plugged with cement and a new side-track wellbore commenced drilling operations on 5 July 2014.

The new side-track wellbore is being drilled at a distance of around 30m from the original wellbore. The positioning and forward plans of the side-track wellbore does not compromise the evaluation of the Phoenix South-1 prospect.

At the current time the operator expects drilling to reach its Total Depth ("TD") around mid August and complete well operations by the end of August. At the current time, the estimated additional cost to Carnarvon of the side-track operation is around A\$6m, based on final costs exceeding the cost cap of US\$70 million.

Carnarvon CEO Adrian Cook said, "*We congratulate Apache on the successful side-tracking of the wellbore. This news will be warmly appreciated by our shareholders. Carnarvon adopted a strategy of prudence in regards to funding its drilling commitments and has the financial capacity to comfortably meet the addition costs associated with the side-track.*"

Carnarvon will provide further updates on the above drilling activities as the well progresses.

The equity interest holders in the Phoenix South-1 well (upon satisfaction of the farm in agreement terms) are:

Carnarvon Petroleum	20%
Apache Energy (Operator)	40%
JX Nippon	20%
Finder Exploration	20%

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Yours faithfully



Adrian Cook
Managing Director
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