

Q4

Quarterly Report
30 June 2017



Quarter Highlights:

- Phoenix South-3 well scheduled to commence early 2018, expected to be funded by insurance
- Labyrinth and Buffalo project reprocessing completed with significant targets identified
- Data sharing with Northern Oil & Gas in Buffalo project looking for value through collaboration
- A\$53 million held in cash after A\$1.1m exploration spend and \$2.9m R&D tax offset received

Managing Director's Comments

During the quarter, the Company and its Joint Venture partner advanced multiple work streams in the Phoenix project. Of particular note was the work in preparing for drilling the Phoenix South-3 and Dorado-1 wells, development planning for the Roc field and prospect mapping over the greater Phoenix area, using the partnership's extensive seismic data base.

Utilising knowledge gained in the play opening Phoenix area, the Carnarvon team continued working on developing its portfolio of assets that included completing seismic reprocessing and interpretation in the Labyrinth project. As announced on 13 June 2017, Carnarvon's work to date has identified an estimated 1.5 billion barrels of recoverable prospective resource in this project.

We also announced a collaborative data sharing project with Northern Oil & Gas Pty Limited in an effort to better understand the Buffalo area and increase regional knowledge. With Carnarvon recently completing its advanced 3D reprocessing in the area, the Company is aiming to utilise all available data and knowledge to extract value from the Buffalo project as quickly as possible.

As outlined in our last Quarterly Report, we intend to provide these updates on a more timely basis after the end of the quarter and in a more concise format. Greater detail is being provided in more frequent project updates and CEO Newsletters, all being available on Carnarvon's website. Since our last Quarterly Report we have maintained a strong financial position (over 5 cents per share), we have advanced a valuable project in Phoenix and are making significant progress in all our other projects.

Phoenix Project

(Carnarvon 20%-30%; Quadrant Energy is the Operator)

The Phoenix South-3 well is expected to commence in early 2018 with the Phoenix South-2 insurance claim expected to fund most of the cost. The Operator is in the final stages of evaluating tenders for a semi-submersible rig with a contract expected to be signed shortly.

The Phoenix South-3 well, a redrill of the Phoenix South-2 well, is being designed to test the Caley interval. The 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).

The Phoenix South-2 well discovered gas and condensate at the top of the Caley interval. 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 Caley interval is also the primary target for the Dorado-1 well which the Company is expecting to commence in mid-2018. The Dorado-1 well will target multiple stacked reservoirs in the Caley Sandstone which is estimated to contain a prospective mean resource of 545 Bscf of gas and 31 million barrels of associated condensate (refer to ASX announcement on 23 February 2017). The Joint Venture is expecting to reduce the cost of drilling the Dorado-1 well by including it in the Operator's 2018 drilling campaign.

Development work around the discovered gas at Roc was progressed and the Joint Venture has commenced pre-FEED (Front End Engineering and Design) work aimed at determining the most robust concept for developing both the known hydrocarbons and potential future discoveries.

Labyrinth Project – WA-521-P

(Carnarvon 100% and operator)

The Company has completed its interpretation of the newly reprocessed 2D seismic data and has identified a number of significant prospects. In particular, the Labyrinth and Mouse prospects which are estimated to contain approximately 400 million barrels of recoverable oil each at the Pmean confidence level¹. Additionally, the Company has identified numerous other high-graded prospects and leads estimated to contain over 1.5 billion barrels of recoverable prospective resources¹.

Buffalo Project – WA-523-P

(Carnarvon 100% and operator)

The 3D reprocessing and Full Wave Inversion ("FWI") has recently been completed. The data quality has been considerably improved allowing clearer analysis of key intervals in and around the Buffalo oil field. As a result, the Company has identified a potentially significant undrilled and unproduced area to the east of the original Buffalo development which was not previously identified.

In addition, Carnarvon joined Northern Oil & Gas Pty Limited ("NOGA") on a collaborative data sharing project. NOGA are the operator of production in the Laminaria oil field less than 10 kilometres from the Buffalo oil field. The collaboration involves re-processing the Laminaria 3D seismic results in seamless high-quality 3D data set over the Buffalo field held by Carnarvon and the Corallina and Laminaria fields in the adjacent permit held by NOGA. Carnarvon is aiming to better understand the area and to de-risk potential development opportunities, including the option to bring the Buffalo field back into production.

Maracas Project – WA-524-P

(Carnarvon 100% and operator)

During the quarter, the Company continued reprocessing the existing 3D seismic data over the permit. The reprocessing includes the application of FWI technology that has demonstrated clear improvements in both the Phoenix and Buffalo projects. The reprocessed data is expected to assist with the mapping of existing leads and identifying new prospects. It is also expected to enable the Company to study the potential for hydrocarbon bearing sands in the permit.

¹ Refer to ASX announcement on 13 June 2017.

Outtrim East - WA-155-P(1)

(Carnarvon 28.5%, Quadrant Energy is the Operator)

Carnarvon has been progressing with technical work in the Outtrim East area, particularly focusing on structures in the Triassic Mungaroo that comprises the extension of the Gorgon and Rankin trend. Drilling planned in the surrounding acreage in 2017 may be instrumental in determining the next steps for this project. Concurrently, technical work on the Outtrim East-1 oil discovery continued during the quarter.

Cerberus Project - EP-490, EP-491, EP-475 and TP/27

(Carnarvon 100% and operator)

The Company recently received approval for a one-year suspension and extension of the permit work program, particularly in relation to deferring commitments to drill two exploration wells. This allows the Company sufficient time to prepare for a contingent well in 2018 and to secure a partner to help fund the project.

Additionally, Carnarvon has identified the existence of a lower Triassic play in the Kes Prospect. The lower Triassic plays across the North-West Shelf have been significantly de-risked following Carnarvon's recent success in the Roebuck basin and its continued technical studies in the Cerberus area.

Corporate / Financial

The Company's cash holdings at the end of the quarter were \$53.0 million, compared to \$51.1 million at the end of the previous quarter. This balance does not include settlement of the US\$4 million deferred consideration from Loyz Energy as outlined in Carnarvon's ASX announcement of 2 May 2017. Settlement of this obligation by Loyz, in the form of cash or equivalent value in shares, is in the process of being satisfied by Loyz following Carnarvon providing a short extension to complete the dealing.

The Company's United States Dollar ("USD") holdings at the end of the quarter was US\$38.3 million with the balance being Australian Dollars. Carnarvon holds the majority of its cash in USD as a natural hedge to expected future USD denominated expenditures. The retention of predominantly US dollars influences Carnarvon's reported cash holdings due to AUD / USD exchange rates at each reporting period end.

A weakening of the average Australian Dollar relative to the US dollar during the quarter resulted in a foreign exchange translation adjustment that increased the Company's reportable cash holdings by A\$0.5 million.

During the quarter A\$1.1 million was spent on exploration activities in the North West Shelf which includes the Phoenix South-2 drilling costs and technical work on the Company's other projects. In addition to this \$0.6 million was spent on business development and corporate costs and \$2.9 million was received as a Federal Government contribution to the Company's research and development initiatives.

Abbreviations

Bopd	Barrels of oil per day
Bbls	Barrels of oil
OWC	Oil water contact
CVN	Carnarvon Petroleum Limited
JV	Joint Venture
Km	Kilometres
Km²	Square kilometres
m	Millions
Qtr	Quarter
Q/Q	Quarter on Quarter
Tcf	Trillion cubic feet (gas)
2D	Two dimension seismic data
MC2D	Multi-client 2D – seismic data acquired for multiple parties that require licensing
3D	Three dimensional seismic data
MC3D	Multi-client 3D – seismic data acquired for multiple parties that require licensing
USD	United States of America dollar

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, 28 March 2017 and 13 June 2017 (Reference: CVN ASX releases of 14 November 2016, 28 March 2017 and 13 June 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.