

Phoenix project – rig contract

18 July 2017



Highlights

- Rig contract for Phoenix South-3 well now signed with sixth generation semi-submersible rig
- Contract specifies well to commence drilling between 1 February and 1 April 2018
- Phoenix South-2 insurance claim expected to fund the majority of the Phoenix South-3 well

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 well

Quadrant Energy (operator) advised that the contract to drill the Phoenix South-3 well has been executed with Transocean Limited. The GSF Development Driller-1 semi-submersible drilling rig (pictured below) will drill the well. Currently the well commencement window is between 1 February and 1 April 2017.

The GSF Development Driller-1 is a sixth generation semi-submersible with dual rig activity allowing for efficient drilling operations.



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 Phoenix South-3 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.

The estimated condensate-to-gas ratio is very significant and 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 that was designed 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. Proceeds from the claims are expected to cover the majority of the cost of drilling the Phoenix South-3 well.

Carnarvon Petroleum
Quadrant Energy (*Operator*)

20%
80%

Yours faithfully



Adrian Cook
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Figure 2 - Location of the Phoenix South-3 well

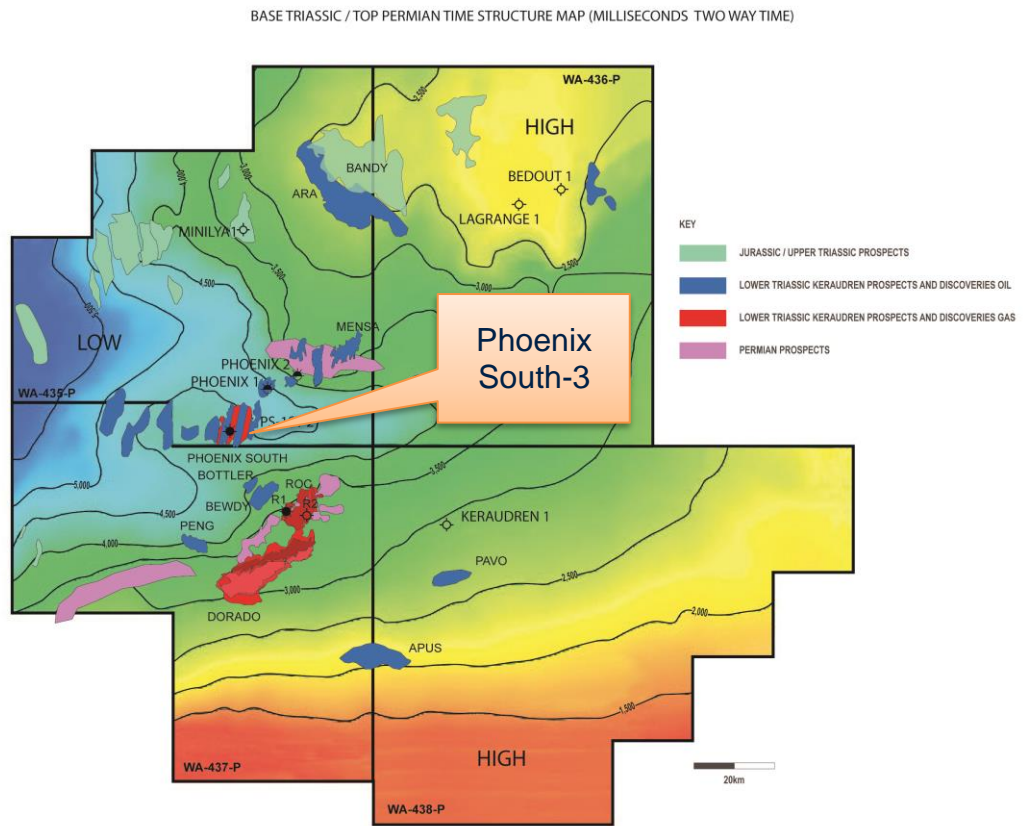
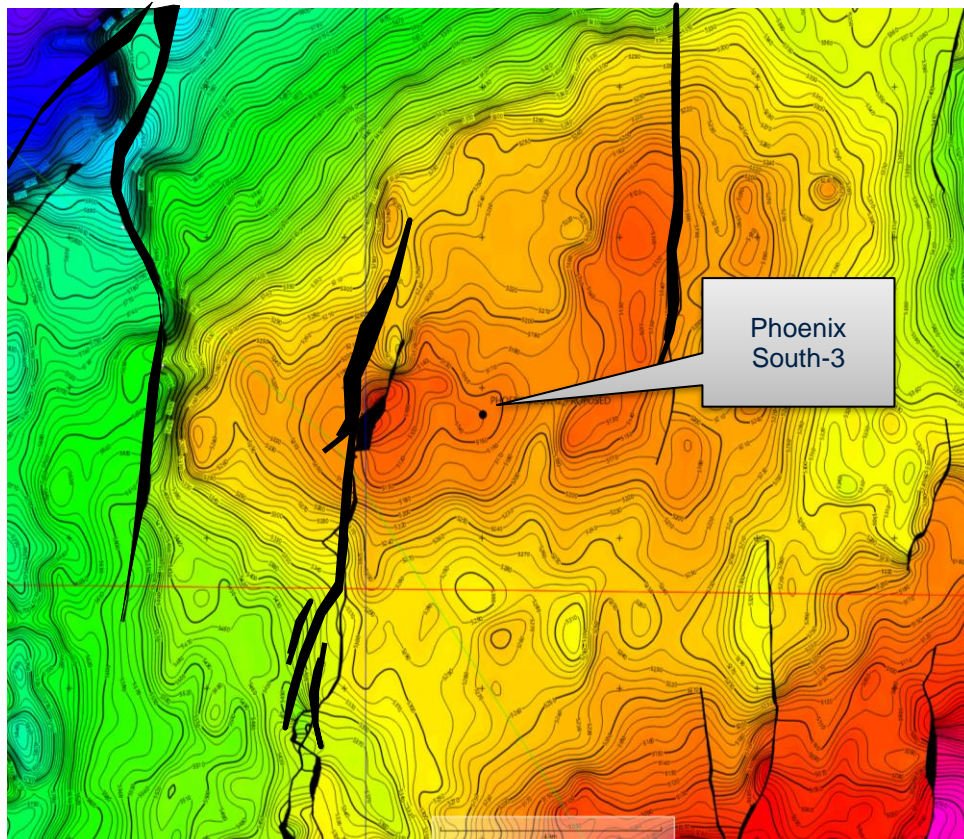


Figure 3: Caley depth map



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.