

Phoenix South-3 – drilling commenced

17 April 2018



Highlights

- **Drilling of the Phoenix South-3 well has now commenced**
- **Currently preparing to run 36" surface conductor**
- **Significant resource being targeted of 143 million barrels of oil equivalent (gross, Pmean)**
- **Objective is to fully evaluate the gas and condensate discovered in the Phoenix South-2 well**

Carnarvon Petroleum Limited ("Carnarvon") (ASX:CVN) is pleased to provide the following update on the commencement of drilling at the Phoenix South-3 well as advised by the operator, Quadrant Energy.

Progress

Since arriving on site, the rig successfully completed the 'ready to operate' process and has finished drilling the 42" hole in preparation to run surface casing.

Forward Plan

The 42" surface hole was drilled to around 240 metres MD in preparation for setting the 36" surface conductor. This conductor is slightly deeper than Phoenix South-2 to accommodate heavier casing strings as allowed for in this well's drill program. Following the setting of this conductor, the rig will drill the 26" hole, and set and cement the 20" casing. These operations are planned to take around 10 days to complete.

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.

The well is also expected to encounter sandstones within the Hove Member that may be hydrocarbon bearing.

Well Timing

Drilling of the Phoenix South-3 well is estimated to take around 90 days to reach the target depth of approximately 5,500 m MD. The Operator's plans encompass staged drilling just above and through the Caley reservoir section. The result is that drilling through the Caley reservoir section will progress slower than through the other sections of the well bore.

Formation Prognosis and Evaluation

The primary objective in this well, the Caley Member, is anticipated to be penetrated just above 5,200 m MD. The evaluation for the formations above this will be based on Logging While Drilling ("LWD") tools. Evaluation of the Caley Member will be initially via LWD tools as the section is drilled. Further evaluation is planned to be undertaken using a complete suite of wireline formation evaluation tools, including pressure testing and fluid sampling. No flow testing is planned for this well. The Caley formation was previously tested by the Roc-2 well and flowed at rates of around 55 MM scf/day and 3,000 barrels of condensate per day in well test operations successfully conducted in 2016.

Carnarvon Petroleum

Quadrant Energy (*Operator*)

20%

80%

Yours faithfully



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Figure 1 – Location of the Phoenix Project

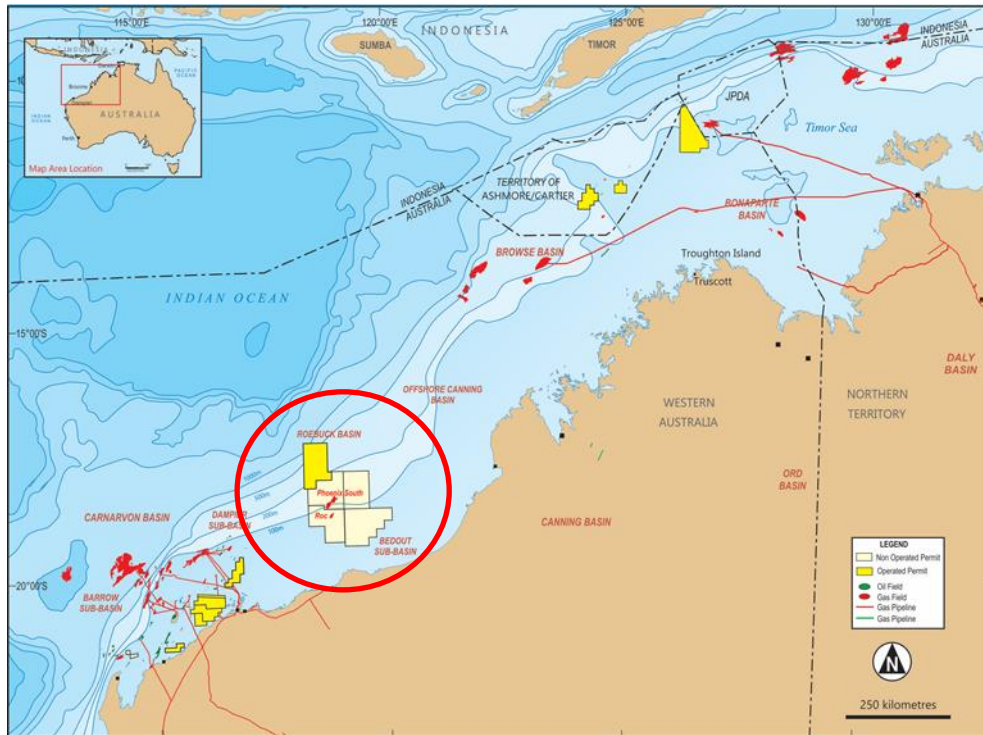


Figure 2 - Location of the Phoenix South-3 well within the project

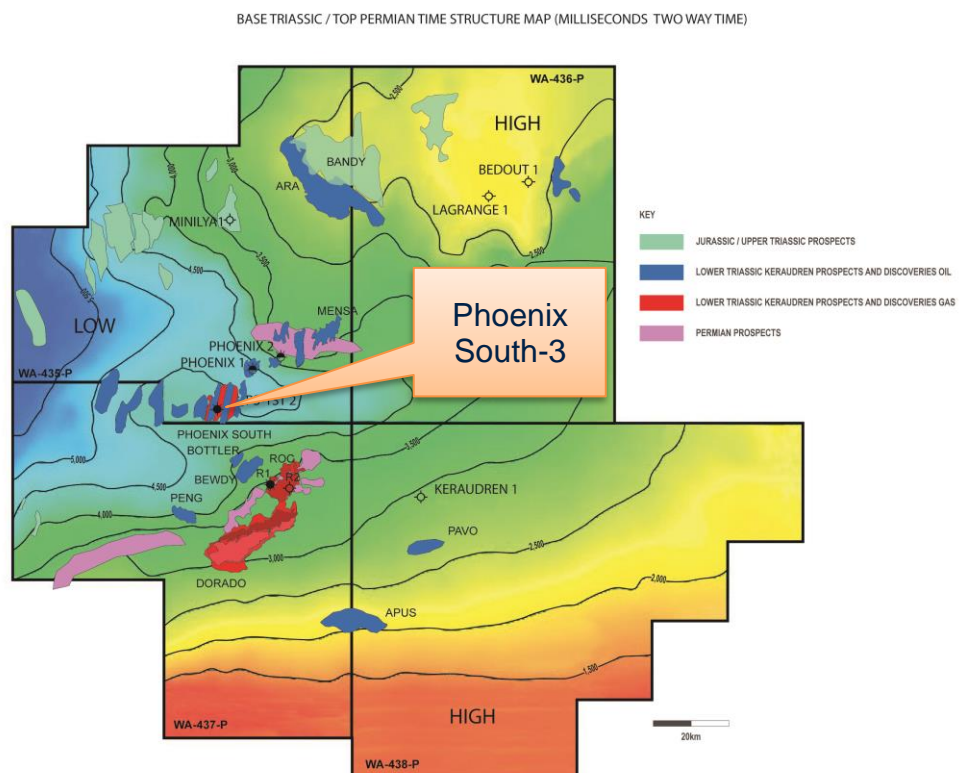


Figure 3: Caley depth map and positioning of the Phoenix South-3 well

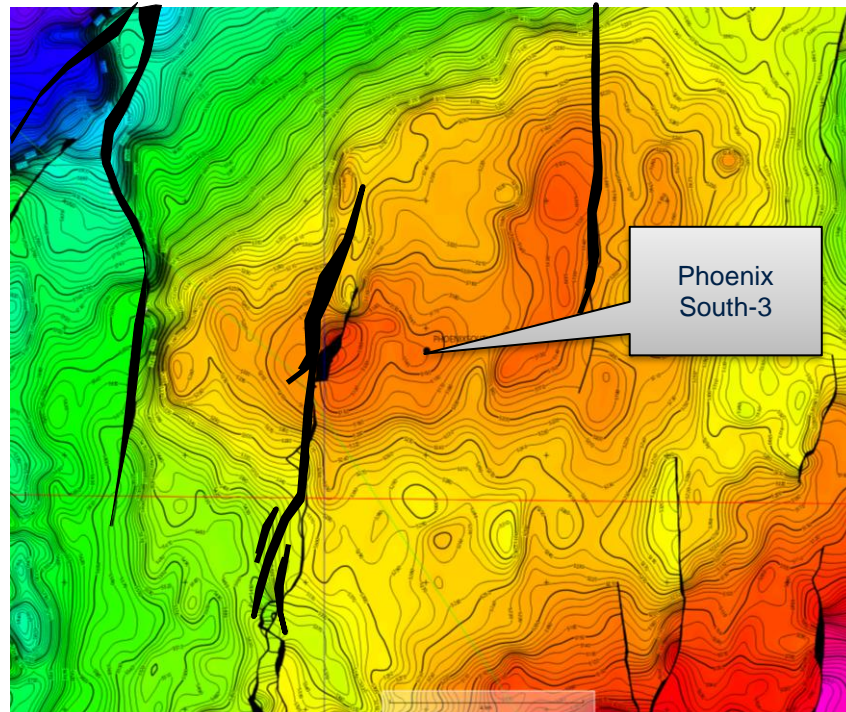
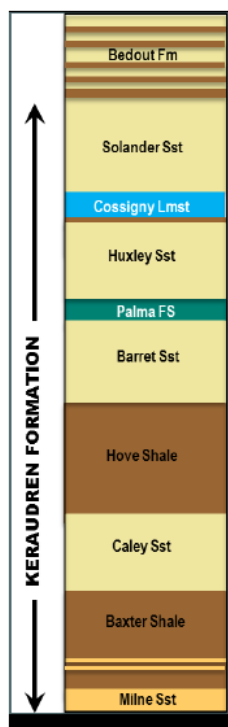


Figure 4: Geological formation diagram



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 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.