

Phoenix South-3 – drilling update

24 July 2018



Carnarvon Petroleum Limited ("Carnarvon") (ASX:CVN) is pleased to provide the following update on the drilling of the Phoenix South-3 ("PS-3").

Progress

The 9-5/8" casing has been set and cemented in place down to around 5,165 metres Measured Depth ("MD") and the well has drilled down to around 5,208 metres MD.

The results to date have been consistent with those encountered in Phoenix South-2.

Current Operations

The rig is currently preparing to set a 7-5/8" liner.

Forward Plan

After setting the liner the well will drill ahead in 6-1/8" hole to a planned depth of approximately 5,500 metres MD.

Controlled Drilling through Reservoir section

The previously drilled Phoenix South-2 ("PS-2") well was unable to fully evaluate the Caley Member due to high pressures encountered in that well. The PS3 well plan and its associated procedures employ controlled drilling operations prior to and during the drilling of the reservoir section. As a consequence, drilling progress will be slower than that previously experienced in the other wells in the Phoenix project.

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.

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 (including this well) is required to determine the existence of a significant quantity of potentially

moveable hydrocarbons.

Project equity Owners:

Carnarvon Petroleum

20%

Quadrant Energy (*Operator*)

80%

Yours faithfully



Adrian Cook
Managing Director
Carnarvon Petroleum

Investor inquiries:

Thomson Naude

Company Secretary
Phone: (08) 9321 2665
Email: investor.relations@cvn.com.au

Media inquiries:

Luke Derbyshire

Managing Director, Spoke Corporate
Phone: 0488 664 246
Email: luke@spokecorporate.com

Figure 1 – Location of the Phoenix Project

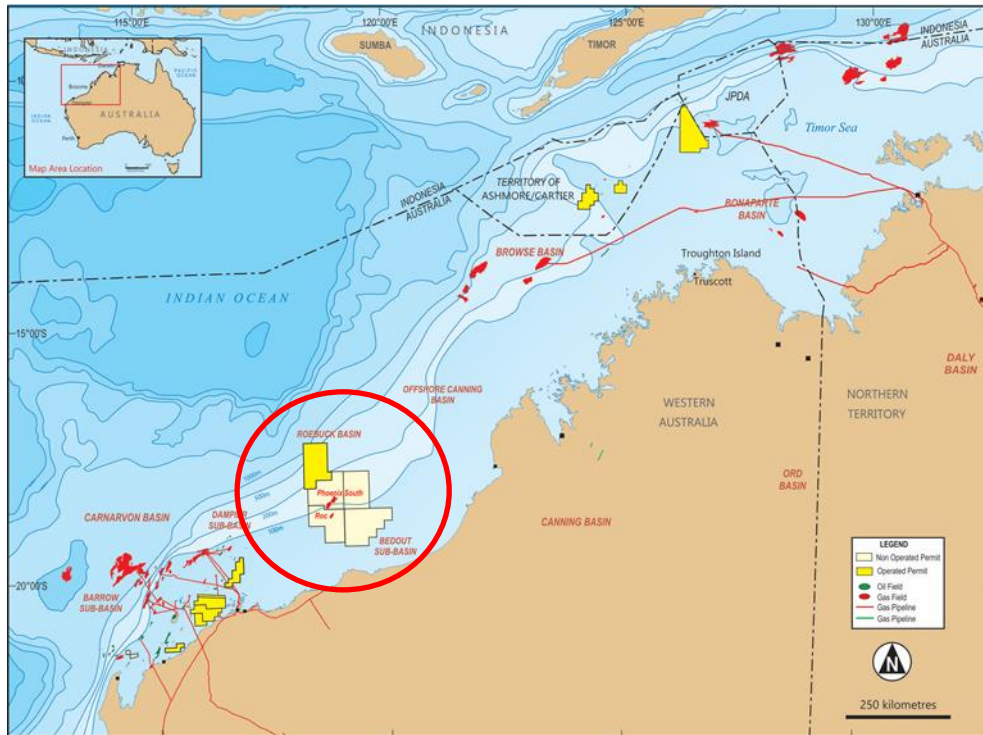


Figure 2 - Location of the Phoenix South-3 well within the project

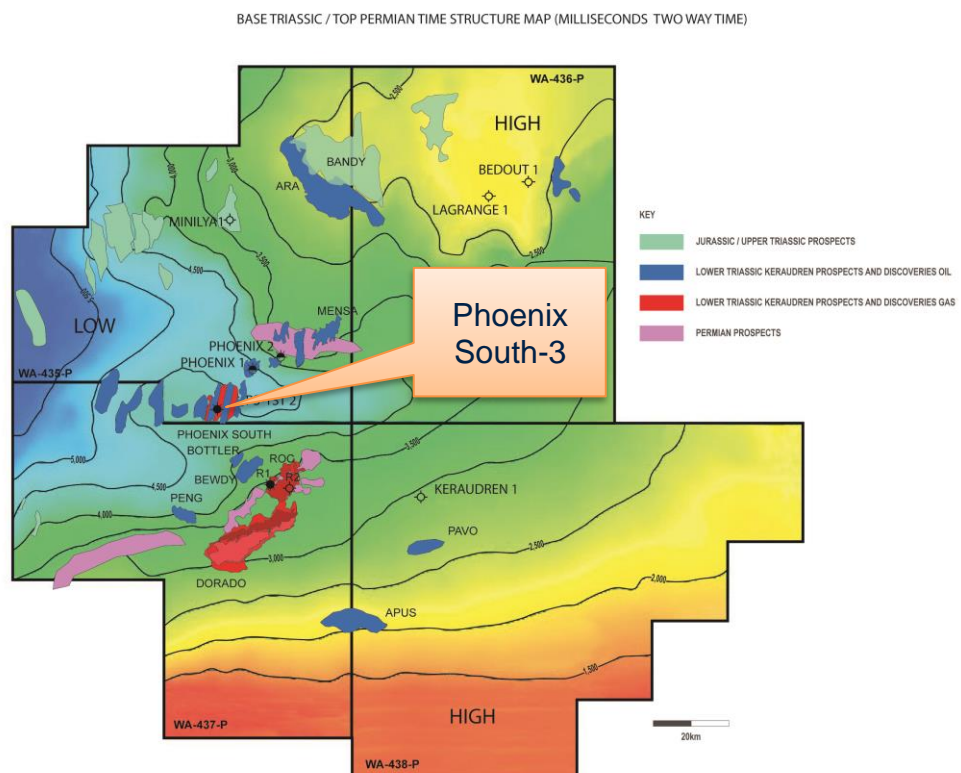


Figure 3: Caley depth map and positioning of the Phoenix South-3 well

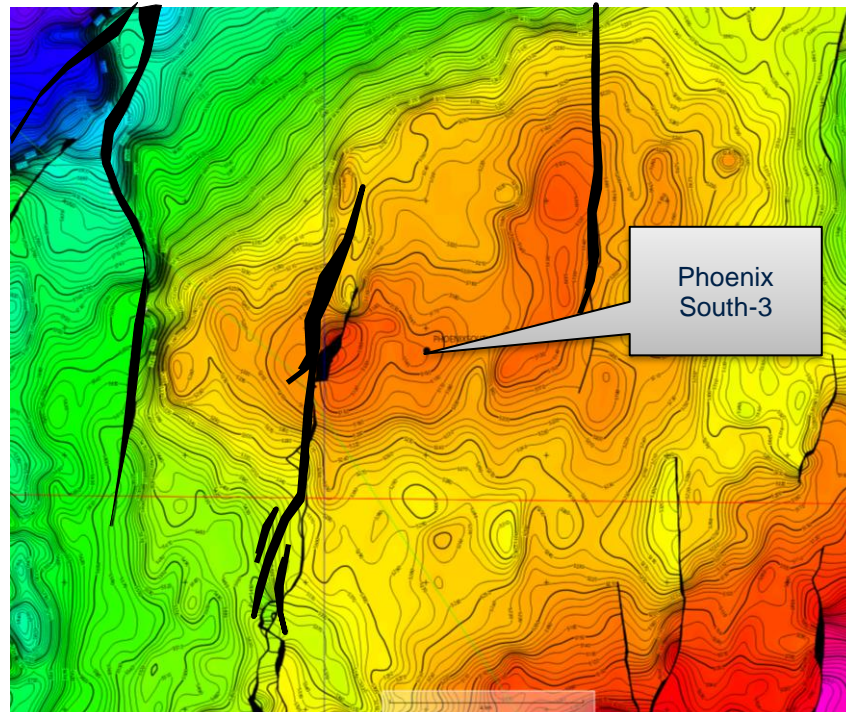
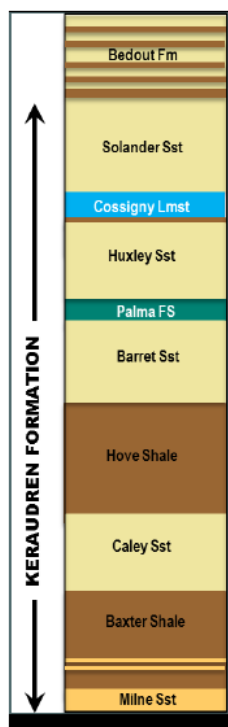


Figure 4: Geological formation diagram



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.

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Resources

All contingent and prospective resources presented in this report are prepared as at 23 April 2018 (Reference: CVN ASX releases of 23 April 2018). 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 25 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.