

Q4

**CARNARVON**
PETROLEUM LTD

Quarterly Report
30 June 2015
Carnarvon Petroleum Limited



Quarter Highlights:

- Carnarvon successfully transitioned into a technically driven oil and gas exploration and production company, specialising in the North West Shelf.
- Peter Moore appointed as non-executive Director of Carnarvon. Dr Moore was a former Vice President of Exploration for Woodside and is currently Professor and Executive Director of Strategic Engagement for Curtin University Business School.
- Two outstanding oil prospects identified in the Company's Cerberus acreage.
- Roc-1 exploration well on schedule to commence in the fourth quarter of calendar 2015.
- New prospect identification in greater Phoenix area continues with new seismic acquisition program covering the entire Phoenix acreage and is on schedule for completion in the third quarter of calendar 2015.
- Carnarvon in strong position with cash of A\$97.3 million, up to US\$32 million future cash flow from oil receipts, important Roc-1 well funded to US\$70 million (gross) by Quadrant Energy and JX Nippon; with no debt.

Managing Director's Comments

During the quarter the Macquarie / Brookfield led Consortium successfully completed the acquisition of Apache's Western Australian business which is now called Quadrant Energy. This business includes all of Apache's Australian production assets, exploration permits and the management team and staff. Carnarvon has been in ongoing communication with the Quadrant team and is looking forward to continuing its business relationship with them at Phoenix and potentially other projects in the future.

The joint venture has finalised selection of the Roc-1 drilling location and has submitted the environmental plan to NOPSEMA. The Quadrant team have confirmed their intention to drill the Roc-1 well in the fourth quarter of calendar 2015 and I look forward to providing further updates as we get closer to the commencement of drilling.

It is anticipated a successful Roc-1 well will be suspended to allow for re-entry within six to twelve months to complete more extensive well sampling, including the cutting of whole cores, and to flow test the well. Planning is also underway for the drilling of additional appraisal wells in late 2016 to follow the success of Roc-1.

Seismic acquisition across the Phoenix permits is ongoing, with early planning for further exploration drilling in 2017 and beyond. Importantly the joint venture's plans have received support from Government with the granting of a two year extension to August 2017 to complete the extensive work programs currently underway.

Over the last two years Carnarvon has been undergoing a transformation into a technically driven oil and gas exploration company focussing on the North West Shelf of Australia. Throughout this period we have continued building a very experienced new ventures team, focused on capturing opportunities in the North West Shelf. We now have over a dozen professionals with skillsets including geophysics, geology, petrophysics, drilling, development, reservoir engineering, economic and financial analysis. These individuals have prior experience across a range of companies including Exxon, Woodside Petroleum, Santos, Buru, Tap Oil, Origin Energy, Premier Oil Norway, Oilexco North Sea, Newfield, PanCanadian, Enterprise Oil and Unocal. Throughout this period Carnarvon has also been focussing on building a superior North West Shelf database to complement our new ventures team.

With the sale of the Company's Thai interests behind us, the focus of the entire board and management team is on capitalising on one or more of the high impact opportunities that have been identified in the North West Shelf by the new ventures team.

I would also like to take this opportunity to welcome our new non-executive director, Dr Peter Moore to the Board. His relationships and experience in the North West Shelf and particularly with Woodside complements our new ventures capability and strengthens Carnarvon's position as a premier North West Shelf exploration company.

Adrian Cook
Managing Director

Greater Phoenix Area

Discovered Oil – Phoenix 3D Area

(Carnarvon 20%, Finder Exploration 20%, JX Nippon 20%, Quadrant 40% and Operator)

The Phoenix South-1 well, drilled in 2014, was the first well to be drilled in the Bedout Sub Basin for almost 30 years and was only the eighth well in the basin. The well was drilled to a total depth (“TD”) of around 4,595m and discovered oil across an overall sand rich package between 4,160m and TD. Six samples of high quality 46 to 48 degree API oil were recovered from the well.

This well is significant because it opened up the prospectivity of an entirely new hydrocarbon province in Australia. Equally importantly it demonstrates that there is a new play concept in the North West Shelf: This was the first time in the North West Shelf an oil discovery has been made in the Lower Keraudren reservoir interval which sits in the Lower Triassic aged sediments.

Ongoing test data results from rock and oil samples collected from the Phoenix South-1 well continue to provide important new data to update exploration models, volume estimates and assumptions in the basin. Whilst a lot more technical work has to be undertaken, including the interpretation of seismic currently being acquired, we are already strongly encouraged that further exploration could lead to more discoveries in the area.

DeGolyer and MacNaughton were engaged by Carnarvon to provide an independent assessment of prospectivity and volumes in the area. They assessed the best estimate of recoverable oil at Phoenix South to be 19 million barrels*.

Importantly the report by DeGolyer and MacNaughton also assessed that Phoenix-1 drilled in 1980 by BP was an oil discovery that contains a best estimate of recoverable oil of 9 million barrels*. This independently validates two proven discoveries with a total contingent resource of 31 million barrels (best case, aggregated 2C resource estimate)*.

Exploration – Phoenix 3D Area

Within the Phoenix 3D area there are a number of prospects to follow up the Phoenix and Phoenix South oil discoveries.

The Roc prospect is interpreted to contain a greater volume of recoverable oil than Phoenix South, at a shallower depth, with a best case estimate of 42 million barrels*. With a probability of geological success of 42%, this in combination with the contingent resource estimates make this prospect one of the most attractive exploration prospects in the North West Shelf at this point in time.

The Roc-1 well is currently scheduled to commence drilling in the fourth quarter of calendar 2015.

Carnarvon’s share of the Roc-1 well will be funded to US\$70 million (gross cost of well) by Quadrant Energy and JX Nippon. The Roc-1 well is in shallower water and has a shallower reservoir target compared with the Phoenix South-1 well and is scheduled to be drilled by a jack-up rig. As a result we have a significantly lower cost estimate for the well compared with the recent Phoenix South-1 well.

In addition to the Roc prospect; the Bewdy, Bottler and Phoenix 2 Up-dip structures, which also all lie within the Phoenix 3D, provide early follow up opportunity in the case of success in the Roc-1 well. These four prospects have a total best estimate of 73 million barrels of recoverable oil (aggregated 2C resource estimate)*.

Resources – Phoenix 3D Area

A summary of the attached DeGolyer and MacNaughton reports released to the ASX on 7 April 2015.

Table 1: Gross Contingent Resource estimate for Phoenix and Phoenix South

Field	Reservoir Interval	Contingent Resources (MM bbls)		
		1C	2C	3C
Phoenix South	Lower Keraudren	6	19	56
Phoenix	Lower Keraudren	3	9	28
Total Contingent (i)		13	31	78

(i) Statistical aggregate of contingent resources

Table 2: Gross Prospective Resource estimates only within the Phoenix 3D area (unrisked)

Field	Reservoir Interval	Prospective Resources (MM bbls)			Probability of Geological Success
		Low	Best	High	
Roc	Lower Keraudren	12	42	133	42%
Bewdy	Lower Keraudren	3	9	26	42%
Bottler	Lower Keraudren	2	7	20	42%
Phoenix 2 Updip	Lower Keraudren	1	4	14	27%
Phoenix West	Lower Keraudren	Not yet determined			
Total Phoenix 3D Prospects (ii)		35	73	154	

(ii) Statistical aggregate of prospective resources

Table 3: Aggregated Contingent and Prospective estimates

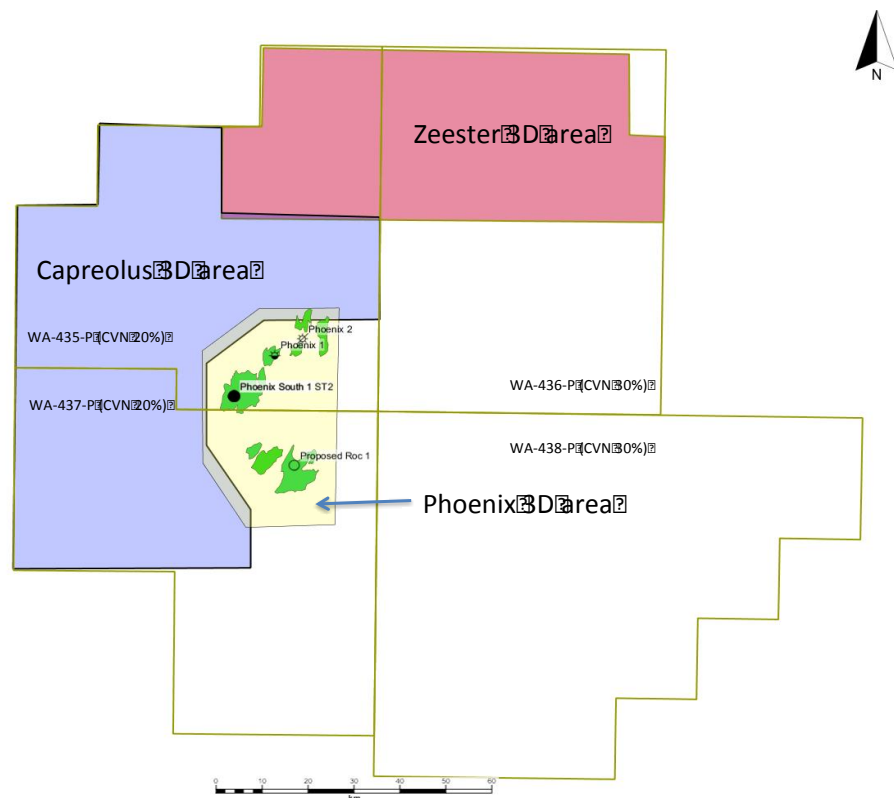
Classification	Reference	Resources (MM bbls)		
		Low	Best	High
Contingent	Table 1	13	31	78
Prospective	Table 2	35	73	154
Total (arithmetic Sum)		48	104	232

Exploration – Greater Phoenix Area

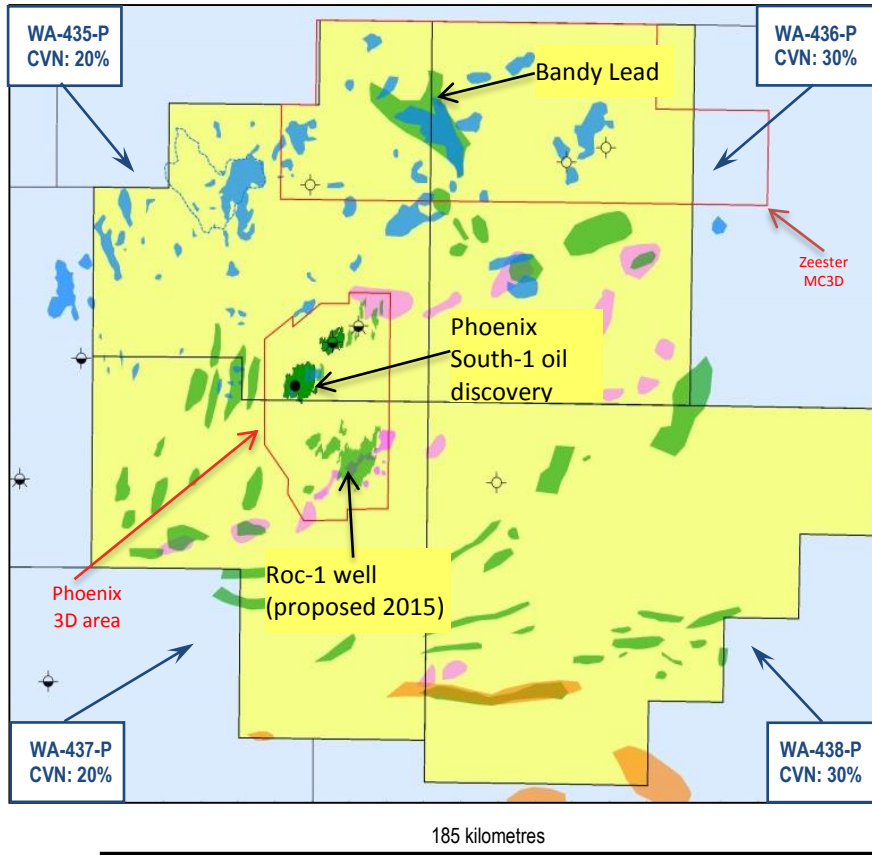
The Phoenix 3D area only covers an area of approximately 1,100 km² or around 5% of a total permit holding of approximately 22,000 km². The result at Phoenix South-1 has proved there is a working petroleum system in this region that has given the Joint Venture confidence to commence further seismic activities to identify additional leads and prospects in the Greater Phoenix Area.

Following success at Phoenix South, the Joint Venture has licenced the Zeester 3D seismic survey that covers the Northern parts of WA-436-P and WA-435-P. The Zeester survey covers an area of 3,854 km² and incorporates the very large Bandy lead amongst others. The interpretation of this seismic survey is underway and is expected to add to Carnarvon’s lead and prospect inventory.

The Joint Venture has also committed to the Capreolus 3D seismic acquisition and licensing. This survey will result in an additional 5,100 km² of 3D seismic coverage in the basin and is expected to reveal a number of new prospects and enable greater delineation of numerous leads that lie to the west of Phoenix South as identified on existing 2D data. This acquisition is on schedule and is currently around 70% complete.



Map showing the 3D seismic acquisitions being undertaken by Carnarvon and its joint venture partners



Revised map of potential prospects and leads following the Phoenix South discovery

Cerberus Blocks

EP-490, EP-491 and TP/27

(Carnarvon 100%)

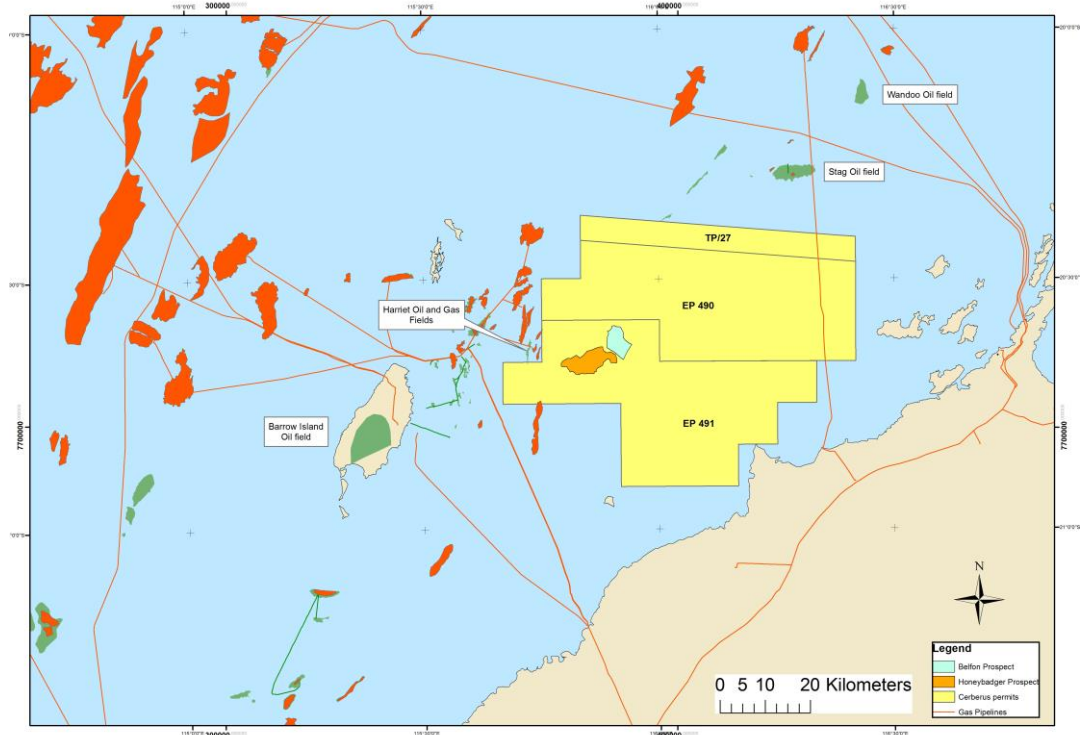
‘Cerberus Blocks’ is the collective term used internally by Carnarvon to describe these three permits. These permits are situated on the eastern flank of one of Australia’s most prolific oil producing basins, the Carnarvon basin, and they cover a total area of around 3,200 km².

As part of the work program across these permits, Carnarvon has re-interpreted modern reprocessed 3D seismic data and has identified a number of new material oil prospects. These prospects are associated with Lower Triassic source rocks that have been identified in nearby wells through recently completed geochemistry, petrophysics and biostratigraphy studies. The Triassic source rocks are analogous to proven oil-prone source rocks at Phoenix and the Perth Basin. These Triassic sourced targets are in addition to the more traditional oil plays across the area, which are primarily sourced from the Jurassic and Cretaceous aged sediments like the Stag, Wandoo and Harriet oil fields nearby.

In particular the Belfon (Upper Permian) and Honeybadger (Early Triassic) prospects are estimated to contain significant volumes of recoverable oil. Detailed analysis is ongoing to refine these prospect volume estimates and further updates are planned to provide shareholders with this information in due course. Five Jurassic prospects exist (1,000-1,500 meter target depths) with a further set of Cretaceous shallow (circa 500 metres target depth) oil prospects which could be large in the context of North West Shelf oil prospects and are the focus of the current stage of geoscience studies.

The investment case in this area is particularly attractive because of the combination of very sizable targets and low exploration costs. The shallow water depths (approximately 50m) and shallow oil target depths (500m - 3,000m) means drilling and development costs are expected to be low relative to normal expectations in the North West Shelf. Multiple development options are available due to shallow depths, proximity to shore and existing production infrastructure.

The Company is looking to progress its exploration plans with a partner with the intention of drilling one or more prospects while retaining a significant equity interest in the project.



Location map of the Cerberus blocks with Honeybadger and Belfon prospects

Corporate / Financial

The Company's cash holdings at the end of the quarter were \$97.3 million, compared to \$102.2 million at the end of the previous quarter. At the end of the quarter the Company United States Dollar holdings were US\$70.5 million with the remainder of the balance being Australian Dollars.

During the quarter \$4.1 million was spent on exploration activities in the North West Shelf with \$2.1m of this relating to seismic acquisition and interpretation in the Phoenix area and \$1.2 million relating to new data purchases. Separately \$0.9 million was spent on business development and corporate costs during the quarter.

Abbreviations

Bopd	Barrels of oil per day
Bwpd	Barrels of water 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
US\$	United States of America dollar

About Carnarvon Petroleum

Carnarvon Petroleum Limited (Carnarvon) is a Perth based company listed on the Australian Securities Exchange (ASX: CVN). The Company's principal activity is oil and gas exploration.

Carnarvon's objective is to create material returns on its shareholder's investments, through delivering profitable and sustainable growth from the development, exploitation and commercialisation of oil and gas assets.

Carnarvon is focused on oil & gas exploration in the world-class province of the North West Shelf area off the coast of Western Australia.

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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. 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 continent and prospective resources presented in this report are prepared as at 7 April 2015 per the DeGolyer and MacNaughton reports released to the ASX on 7 April 2015. 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.

Competent Person Statement Information

DeGolyer and MacNaughton is an independent international energy advisory group whose expertise is in petroleum reservoir evaluation and economic analysis. The continent and prospective resources presented in this report are based on information compiled by professional staff members who are full time employees of DeGolyer and MacNaughton.

The Resource estimates outlined in this report were reviewed 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.