



CARNARVON
PETROLEUM LTD

Q3

Quarterly Report
31 March 2016





Quarter Highlights:

- Roc-1 gas and condensate discovery
- Joint Venture committed to drill Roc-2, expected early in second half of 2016
- Entered into agreement to participate in the Outtrim East-1 exploration well in June 2016
- Awarded WA-521-P adjacent to permits containing Phoenix South and Roc discoveries
- A\$95.5 million held in cash plus future receivable up to US\$31.3 million and A\$8m well carry

Managing Director's Comments

The start of 2016 has been busy and successful for Carnarvon. The quarter began with the Company making the Roc-1 gas and condensate discovery only some 20 kilometres from the 2014 light oil discovery at Phoenix South. The Carnarvon was able to quickly to assess the discovery and announce independently audited Roc volume estimates on 17 March 2016. We are pleased the mid case resource estimates for the contingent and prospective categories exceed the volume required for a commercial operation.

Plans are well advanced for a Roc-2 appraisal well to commence drilling between June and September 2016 using the Ocean Monarch drilling rig. The well will include flow testing and a comprehensive coring program that will assist in planning for future field development. The first A\$8 million of Carnarvon's share of the Roc-2 well cost will be covered by the operator under a previous farm out agreement.

During the quarter we also added two assets to our portfolio, further demonstrating the successful execution of Carnarvon's strategic plans on the North West Shelf.

Firstly, we acquired 28.5% of WA-155-P(1) which contains the 1984 Outtrim-1 discovery. The joint venture is on target to commence drilling the Outtrim East-1 well in June 2016 with the Noble Tom Prosser drilling rig. The Outtrim East-1 well is located to test the extent of the Outtrim-1 discovery and test highly prospective sands to the North and East of the Outtrim-1 well.

Secondly, we were awarded the WA-521-P exploration permit which was accepted on 6 April 2016. This block is adjacent to the successful Phoenix Area which contains the Roc and Phoenix South discoveries. Preliminary work has identified large structures in the permit and seismic data indicates the potential for hydrocarbon source rock for Phoenix South and Roc to also be in the new permit.

The remainder of 2016 will be very active as we drill the Roc-2 and Outtrim East-1 wells. At the same time we plan to continue reviewing and adding quality assets to the portfolio. We expect to be able to do this at fair prices considering the current low oil price. We will also carefully manage our strong cash balance of A\$95.5 million as at 31 March 2016. This cash is predominantly held in US dollars as a natural hedge to likely forward outgoings. On this point, the strengthening of the Australian Dollar quarter on quarter accounted for the translated Australian dollar cash balance reducing by A\$4.4 million this quarter.

Adrian Cook
Managing Director



Phoenix South Light Oil

(Carnarvon 20%, Quadrant Energy is the Operator)

Light oil was discovered in the Phoenix South-1 well in the second half of 2014. The discovery excited the industry and importantly changed its perception of the Bedout sub-basin.

The discovery opened up the prospectivity of this largely underexplored basin, demonstrating the first new play concept in the North West Shelf since the prolific Exmouth sub-basin some 20 years previously. This is the first time an oil discovery has been made in Lower Triassic aged sediments on the North West Shelf.

DeGolyer and MacNaughton were engaged by Carnarvon to provide an independent assessment of volumes in the area. They assessed the mid case estimate of recoverable oil at Phoenix South to be 19 million barrels, with upside potential of up to 55 million barrels of recoverable oil*. This Phoenix South oil is of a similar quality to the Roc condensate and could be tied in and produced within a common development infrastructure.

For more information on the Phoenix South discovery and resource estimates, refer to the ASX announcement made on 7 April 2014.

Roc Gas and Condensate

(Carnarvon 20%, Quadrant Energy is the Operator)

Gas and condensate was discovered while drilling the Roc-1 well, as reported in January 2016. This was the second well drilled by the current joint venture, both of which have been successful. These discoveries complement the Phoenix-1 and Phoenix-2 hydrocarbon discoveries made some 30 years previously. Post well analysis indicated the Roc-1 well intersected the edge of the large Roc structure.

Preliminary technical work indicates that the gas and condensate can be brought to surface and will be confirmed by a flow test in the proposed Roc-2 well. The forthcoming Roc-2 well will target the interpreted crest of the Roc structure, thereby testing the extent of the contingent and prospective resources. A successful result would not only clarify the current contingent resource but also enable the re-categorisation of the prospective resource into contingent resource. These prospective resources are classified as low risk with a geological chance of success of 80%.

The Roc structure contains the following resource estimates *:

Contingent Resource	1C	2C	3C
Recoverable gas (Bscf)	42	270	372
Recoverable condensate (MMSTB)	2	13	18
Prospective Resource	Low	Mid or best	High
Recoverable gas (Bscf)	87	193	328
Recoverable condensate (MMSTB)	4	9	16

Note: Totals have been estimated using probabilistic methodology and Carnarvon has a 20% equity interest in these resources

Carnarvon estimates the minimum economic field size for the Roc resource is approximately 325 Bscf and 17 million barrels of condensate (gross). Therefore, if Roc-2 encounters the 2C and mid / best case estimates of gas and condensate, it is likely that the Roc resource will be commercial and well advanced in terms of being re-categorised as reserves.

At the base of the Roc-1 well, promising hydrocarbon shows were encountered in an additional sandstone section, named the Milne sandstone. The Roc-2 well is being planned to test the extent of these deeper hydrocarbons encountered at the TD of Roc-1.

For more information on the Roc discovery and resource estimates, refer to the ASX announcement made on 17 March 2016.

Exploration – Greater Phoenix Area

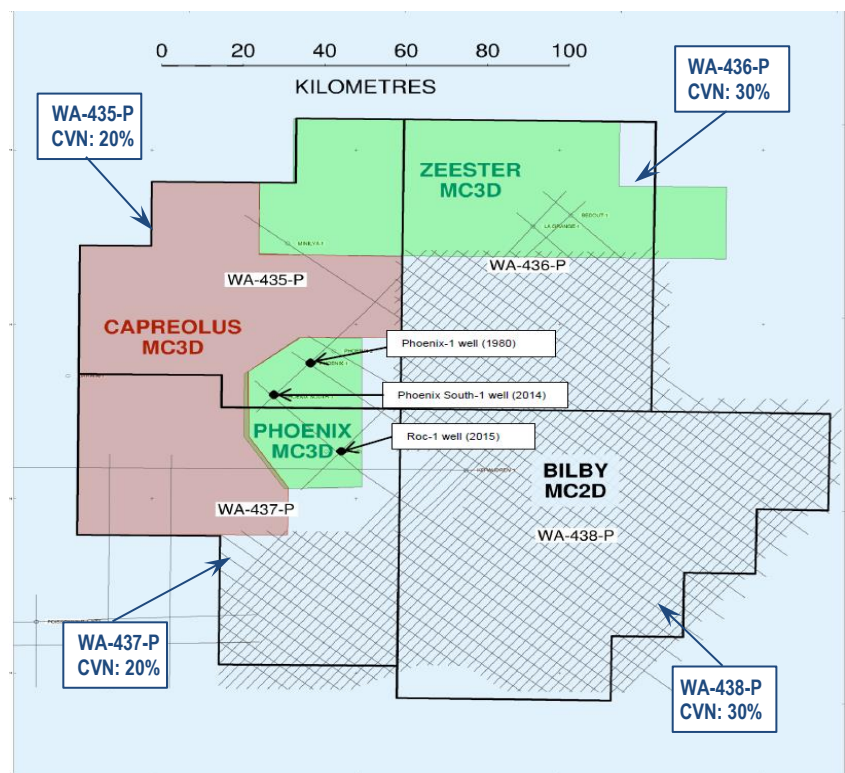
The Phoenix MC3D covers an area of approximately 1,100 km² or approximately 5% of Carnarvon’s total permit holding of 22,000 km². The discoveries at Phoenix South and Roc demonstrated there is a working petroleum system in this region containing oil, gas and condensate at a number of geological intervals.

Following the initial success in these permits, the joint venture partners licenced the Zeester MC3D 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 currently underway and is expected to add to Carnarvon’s lead and prospect inventory.

The joint venture partners also acquired and licenced the Capreolus MC3D. This survey contains an additional 5,100 km² of 3D seismic coverage in the basin. It is expected to reveal a number of new prospects and enable greater delineation of numerous leads that lie to the west of Phoenix South currently identified on existing 2D data. This acquisition is currently being delivered to the joint venture partners and interpretation of the data has commenced.

In addition to the Capreolus 3D seismic acquisition, the joint venture partners are acquiring and licensing approximately 10,000 km of 2D seismic data to further understand the prospectivity in the south eastern portion of the acreage. This acquisition is approximately 85% complete (Bilby MC2D).

Given the results of Phoenix South and Roc, the next step is to interpret this large new dataset to identify both oil prospects and gas prospects.



Map showing the seismic coverage of the Greater Phoenix Area

WA-521-P

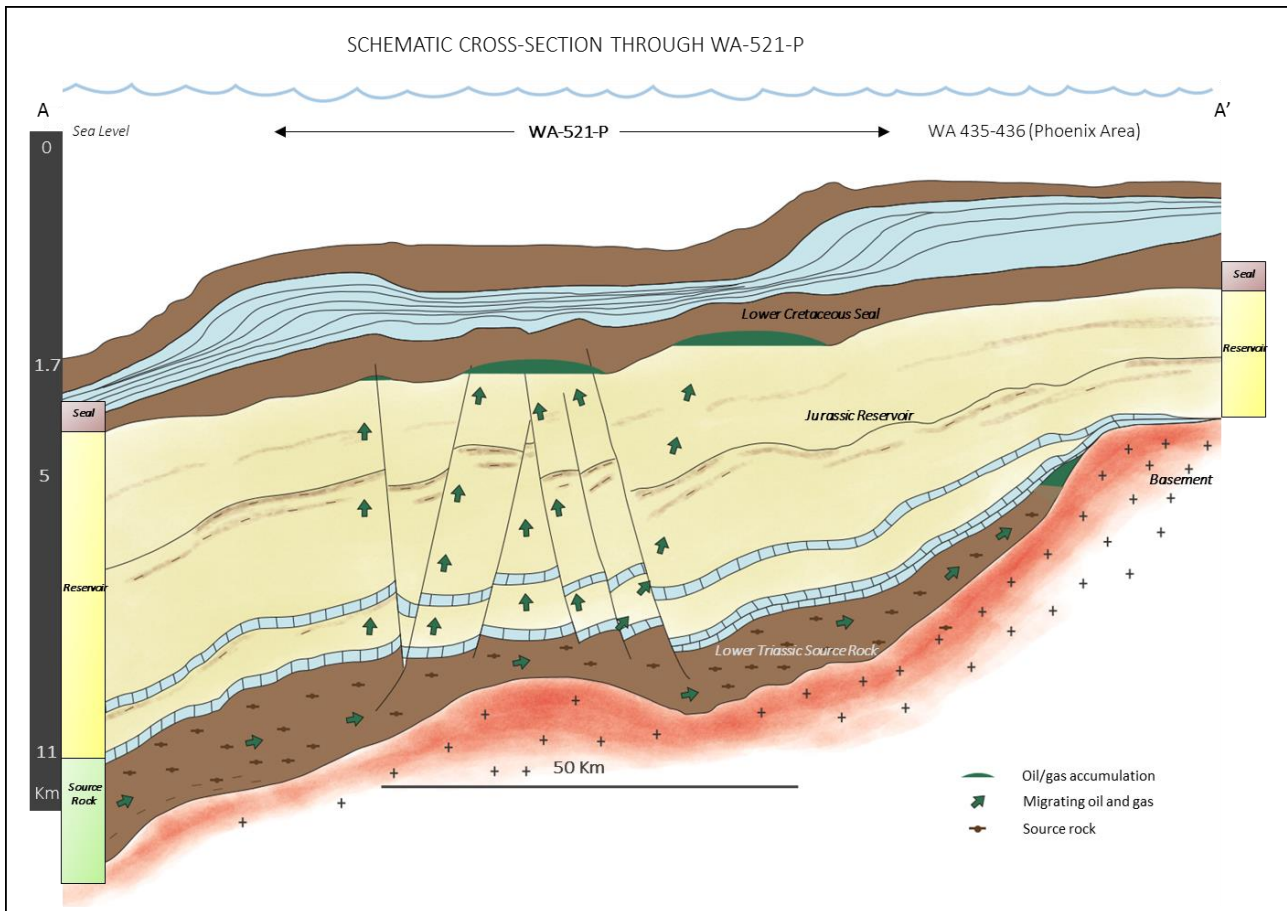
(Carnarvon 100% and operator)

During the quarter Carnarvon was awarded offshore exploration permit, WA-521-P, located in the Roebuck Basin and positioned immediately adjacent to the Phoenix/Roc acreage on the North West Shelf.

For the past five years Carnarvon has been technically evaluating the potential of the Lower Triassic petroleum system that Carnarvon believes lies along the entire length of the NWS. The discovery of hydrocarbons (oil, condensate and gas) at the Phoenix South-1 and Roc-1 wells in this Lower Triassic stratigraphy validates this theory and provided the justification for securing WA-521-P.

Preliminary technical work indicates that the Lower Triassic source rocks have potentially generated and trapped migrated oil and gas into the shallower overlying Jurassic sands, and our technical team has identified several target structures that are significantly larger than the Phoenix South and Roc discovery areas.

Like the Phoenix area prior to the Phoenix South and Roc discoveries, WA-521-P has seen very little exploration activity in the last decade and Carnarvon believes the area would benefit from modern exploration processes and technologies together with the new geological information that has arisen from the Phoenix South and Roc discoveries.

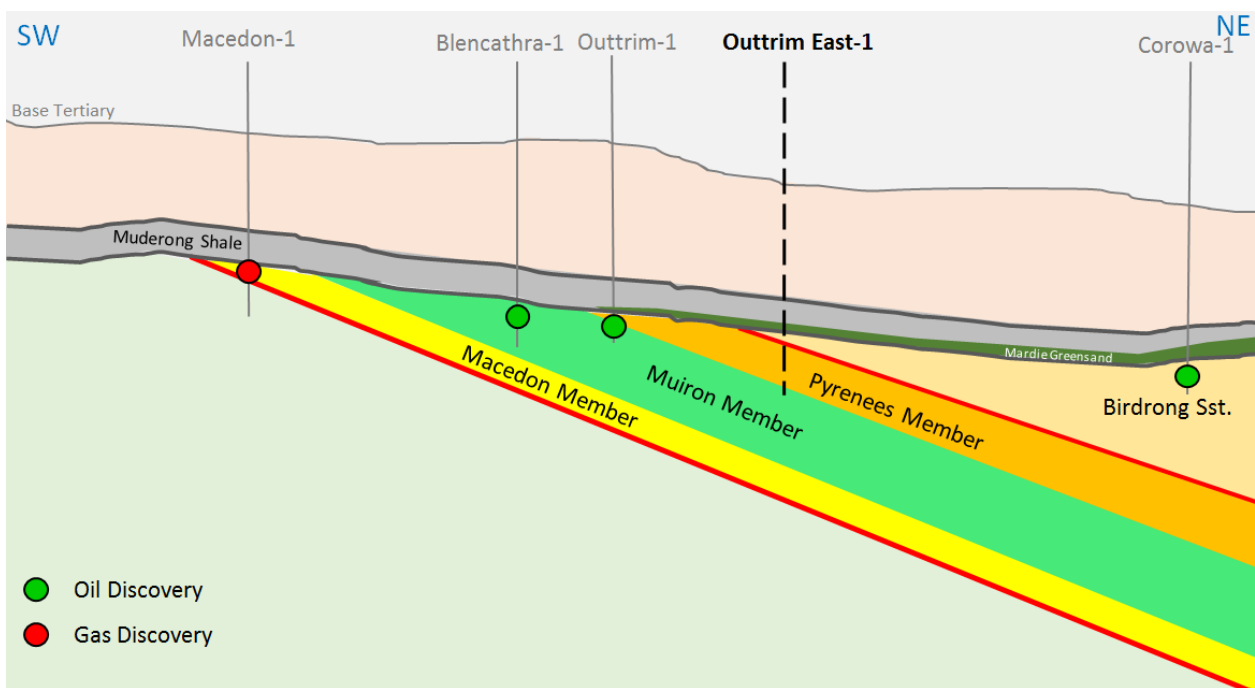


Outtrim East WA-155-P(1)

(Carnarvon 28.5%, Quadrant Energy is the Operator)

During the quarter Carnarvon acquired 28.5% of WA-155-P(1). This permit contains the existing Outtrim-1 oil discovery and the low risk Outtrim East prospect. Carnarvon was attracted to this permit because it is a proven oil area with a number of un-drilled prospects and existing resources that can be tied in to sanction a commercial development using the same principles as the Harriet Joint Venture, which Quadrant Energy operated. Carnarvon assesses the minimum economic field size for a development to be approximately 13-15 million barrels.

The low risk Outtrim East-1 well will target oil in the Pyrenees Member where oil was discovered in the Outtrim-1 well and will also target additional upside opportunities in the Birdrong sandstone and the Mardie Greensand, where oil was discovered in the nearby Corowa field. Outtrim East-1 is expected to commence drilling in June 2016.



Schematic cross section showing Outtrim East-1 targets in the Pyrenees Member, Mardie Greensand and the Birdrong Sandstone which are proven play types in the region

Cerberus Blocks

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

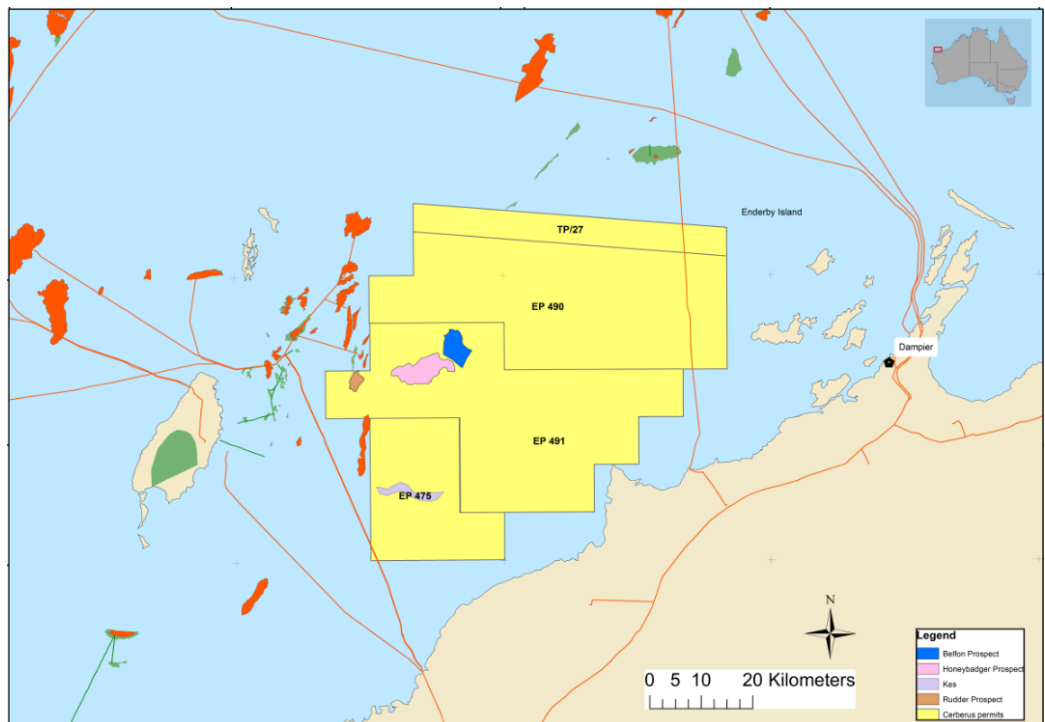
(Carnarvon 100% and operator)

Carnarvon has identified a number of new material oil prospects in these permits. These prospects are associated with Lower Triassic source rocks that have been identified in nearby wells through recently completed geochemistry, petrophysics and biostratigraphic studies. The Triassic source rocks are analogous to proven oil-prone source rocks at Phoenix, Roc 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, for example the nearby Stag, Wandoo and Harriet oil fields.

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. These prospects (Honeybadger and Belfon) have been de-risked following the results of Roc-1. Five conventional Jurassic prospects also 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 volumetrically large, in the context of North West Shelf oil prospects and are the focus of the current stage of geological studies.

The investment case in this area is particularly attractive because of the combination of very sizeable 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 the 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 this project.



Location map of the Cerberus blocks with Belfon, Honeybadger, Kes and Rudder prospects



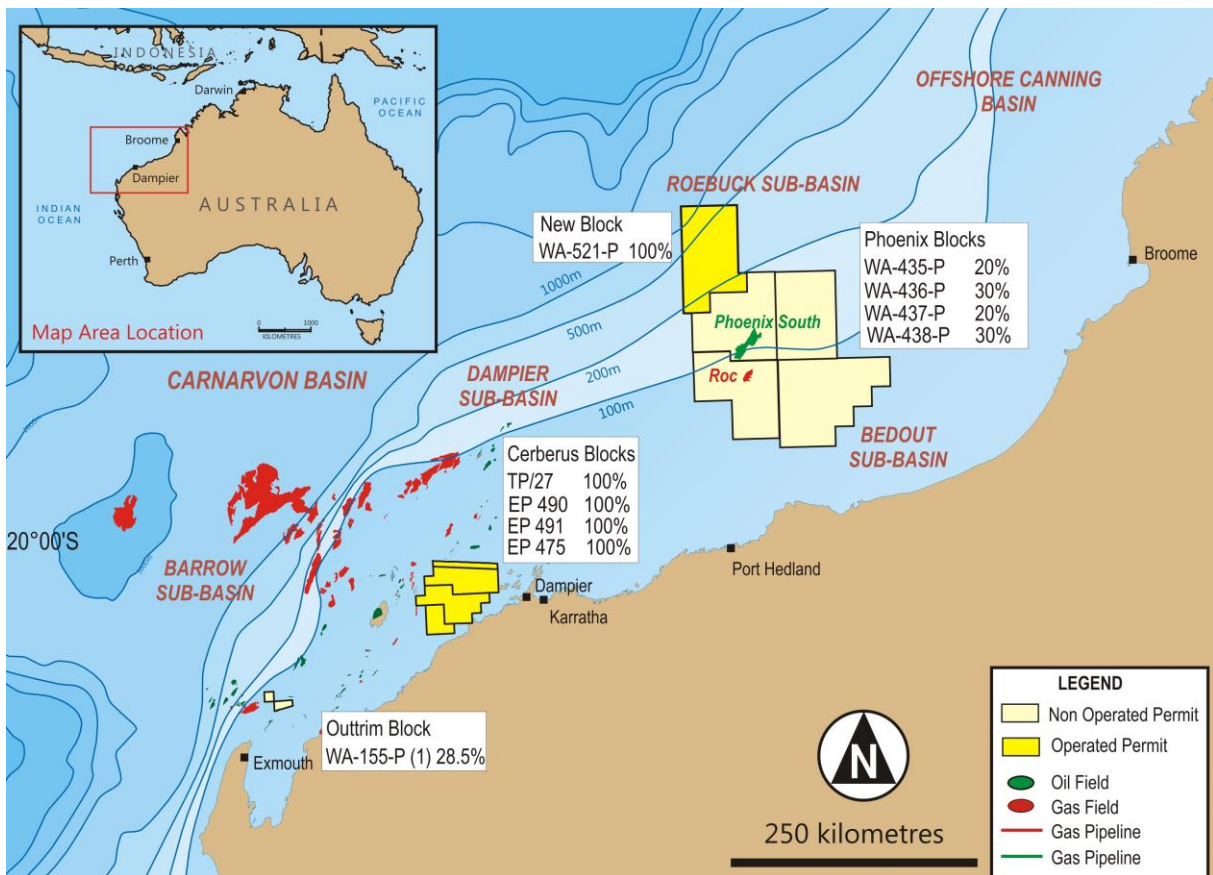
Corporate / Financial

The Company's cash holdings at the end of the quarter were \$95.5 million, compared to \$100.0 million at the end of the previous quarter. At the end of the quarter, the Company's United States Dollar holdings were US\$65.8 million with the balance being Australian Dollars. The exchange rate at 31 December 2015 was 1 AUD = USD0.7298 and the Australian Dollar strengthened during the quarter where at 31 March 2016 it was 1 AUD = USD0.7668. The change in exchange rates reduced the Australian dollar equivalent reported here by A\$4.4 million. The retention of predominantly US dollars demonstrates the sensitivity of Carnarvon's reported cash holdings to the AUD / USD exchange rate. Carnarvon retains the majority of its cash in USD as a natural hedge to likely future expenditures expected to be denominated in USD.

During the quarter \$1.9 million was spent on exploration activities in the North West Shelf and \$1.0 million was spent on business development and corporate costs. The Company also received proceeds of \$1.9m from the exercise of the \$0.10 shareholder held listed options and received \$1.0m in bank interest and the receivable from Loyz Energy Limited.

Project Table

Project	Permit(s)	Operator	Interest held	Interest Acquired during quarter
Greater Phoenix	WA-435-P	Quadrant Energy	20%	-
Greater Phoenix	WA-436-P	Quadrant Energy	30%	-
Greater Phoenix	WA-437-P	Quadrant Energy	20%	-
Greater Phoenix	WA-438-P	Quadrant Energy	30%	-
Greater Phoenix	WA-521-P	Carnarvon Petroleum	100%	100%
Outtrim	WA-155-P(1)	Quadrant Energy	28.5%	28.5%
Cerberus	EP-490	Carnarvon Petroleum	100%	-
Cerberus	EP-491	Carnarvon Petroleum	100%	-
Cerberus	EP-475	Carnarvon Petroleum	100%	-
Cerberus	TP/27	Carnarvon Petroleum	100%	-



Carnarvon Petroleum permit map

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.

For Further Information please contact:

Shareholder Enquiries:

Mr Thomson Naude
 Company Secretary
 Phone: (+618) 9321 2665
 Email: investor.relations@cvn.com.au

Media Enquiries:

Mr Tony Dawe
 Professional Public Relations
 Phone: (+618) 9388 0944
 Email: tony.dawe@ppr.com.au



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 7 April 2015 and 17 March 2016 (Reference: CVN ASX releases of 7 April 2015 and 17 March 2016). 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.