

Phoenix update

15 December 2011



Carnarvon Petroleum Limited ("Carnarvon") (ASX:CVN) is pleased to provide shareholders with the following update covering its interests in the Bedout sub-basin, offshore Western Australia. Carnarvon's interests comprise 50% in exploration permits WA-435-P, WA-436-P, WA-437-P and WA-438-P and 100% in exploration permit WA-443-P as outlined on the following page.

Farm-out process commences as scheduled

Carnarvon is pleased to advise that the farm-out process for its interests in exploration permits WA-435-P and WA-437-P commenced as scheduled. Carnarvon's joint venture partner in these permits, Finder Exploration Pty Ltd ("Finder"), recently issued invitations to relevant parties to consider this farm-in opportunity. Attached is a copy of the executive overview issued by Finder as part of the invitation to attend the farm-in data room.

New 3D seismic data being acquired

Fugro Multi Client Services Pty Ltd ("Fugro") commenced the acquisition of a substantial ~4,247 km² new 3D seismic data program (the "Zeester" 3D acquisition) on 13 December 2011. The acquisition area covers WA-435-P, WA-436-P and WA-443-P as illustrated on the following page. The acquisition program is expected to take approximately three months to complete, subject to weather and other operational factors. The data will be available to Carnarvon on a multi client basis, although at this stage Carnarvon has not committed to licence the data. The new seismic data is expected to be invaluable in advancing the prospects and leads identified in this area and the maturing of these assets for farm-out in the future. The acquisition also compliments the 1,100km² 3D seismic data acquired in 2010/2011 over the WA-435-P and WA-437-P permits.

Increasing industry interest in the region

The recent award of new exploration permits to operator Woodside Petroleum Limited ("Woodside") is an indication of growing interest in the region. Woodside was recently awarded operatorship and 100% interests in WA-465-P and WA-467-P and operatorship and 55% interests in WA-462-P, WA-464-P and WA-466-P. Shell Development (Australia) Pty Ltd holds the balancing 45% interest. It is also expected that this increased level of activity will improve the availability and cost of relevant service equipment, such as seismic vessels and drilling rigs in the future.

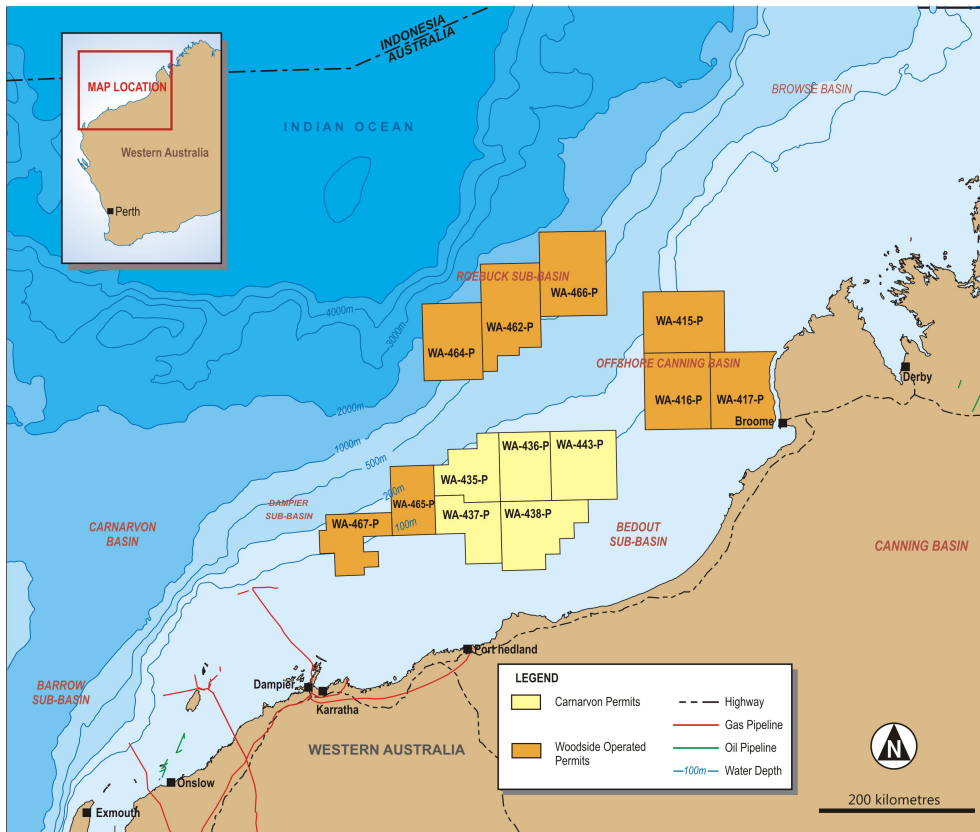
For further information on the Company please visit the CVN website at: www.carnarvon.com.au

For all enquiries please contact Adrian Cook by telephone on 08 9321 2665 or email: admin@cvn.com.au

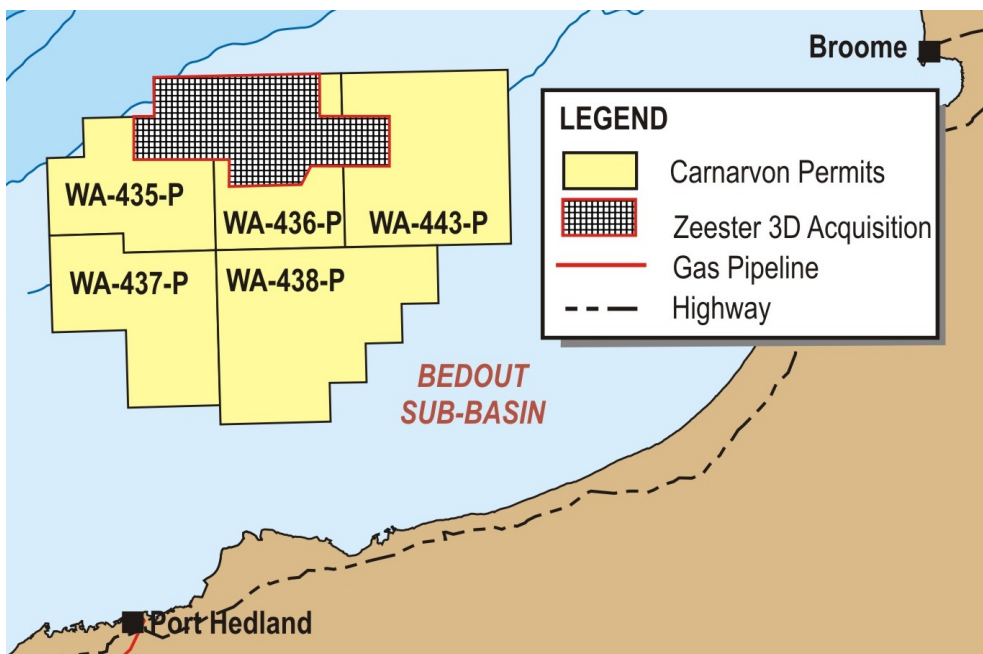
Yours faithfully

A handwritten signature in black ink, appearing to read "Adrian Cook".

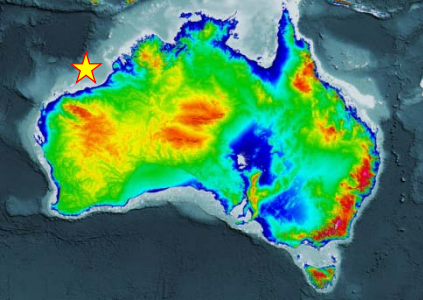
Adrian Cook
Managing Director



Carnarvon's Bedout sub-basin exploration permits relative to the Woodside operated permits in the region



New ~4,247 km² 3D "Zeester" seismic acquisition area currently being undertaken by Fugro



WA-435-P & WA-437-P farm-in executive overview

Joint farm-in opportunity “proven gas”

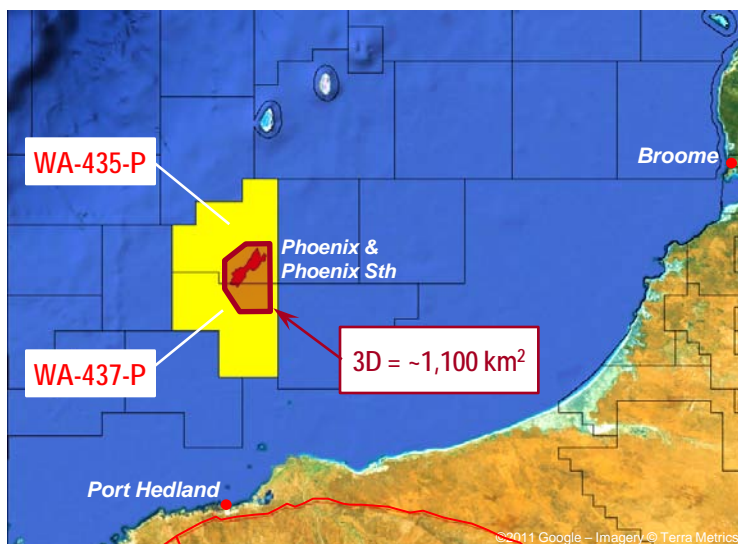
Finder Exploration Pty Ltd (Finder) and Carnarvon Petroleum Limited (“Carnarvon”) are offering the opportunity to explore Exploration Permits WA-435-P and WA-437-P within the Bedout Sub-basin of the Carnarvon Basin, located offshore north-western Australia. These highly prospective Permits contain the 1980 Phoenix-1 gas discovery, located approximately 150 kilometres north of Port Hedland in ~140 metres of water.

Finder & Carnarvon are jointly seeking a farminee to drill two exploration wells to test Phoenix South & Roc.

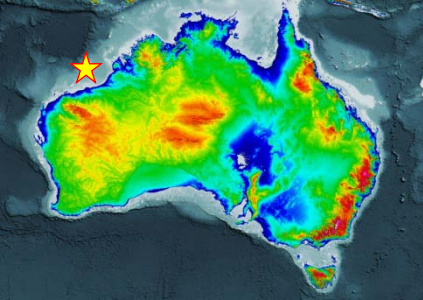
Opportunity Highlights

- **Low risk** – Phoenix-1 demonstrates a working petroleum system with a gas influx at TD;
- **High Reward** - Triassic reservoirs within a structural play constrained by new 3D seismic data with significant unrisks gas-in-place highside resources estimates:
 - Phoenix South Prospect: **~5.5 TCF** at ~4,000 metres
 - Roc Prospect: **~5.5 TCF** at ~3,600 metres
 - Phoenix-1: **~870 BCF** at ~4,100 metres
- **New Data** - 1,100 km² of new multi-client pre-stack time migrated 3D seismic data has confirmed the structural targets and ties to the nearby 1980 Phoenix-1 gas discovery. 3D also demonstrates that Phoenix-2 was drilled out of closure;
- **Regional Context** - geologic assessment ties wells in a sequence stratigraphic framework;
- **Significant reservoir improvement** - as seen in Keruadren-1 tied to the 3D to the southeast;
- **Simple & low cost development** - close to infrastructure with burgeoning gas markets (LNG or DomGas);
- **Permit commitments satisfied** - discretionary well in Permit Year Five (WA-435-P) or Six (WA-437-P).

Parties	Finder :	50% & Operator
	Carnarvon:	50%
Awarded	4 August 2009 currently in Permit Year Three	
Permit Areas	WA-435-P:	~4,955 km ²
	WA-437-P:	~4,855 km ²
Distance from coast	~150 km north of Port Hedland ~280 km northeast of Dampier	
Nearest Discovery	Phoenix-1, 14 km from Phoenix South	
Water depth	Phoenix South:	~130 metres
	Roc:	~100 metres

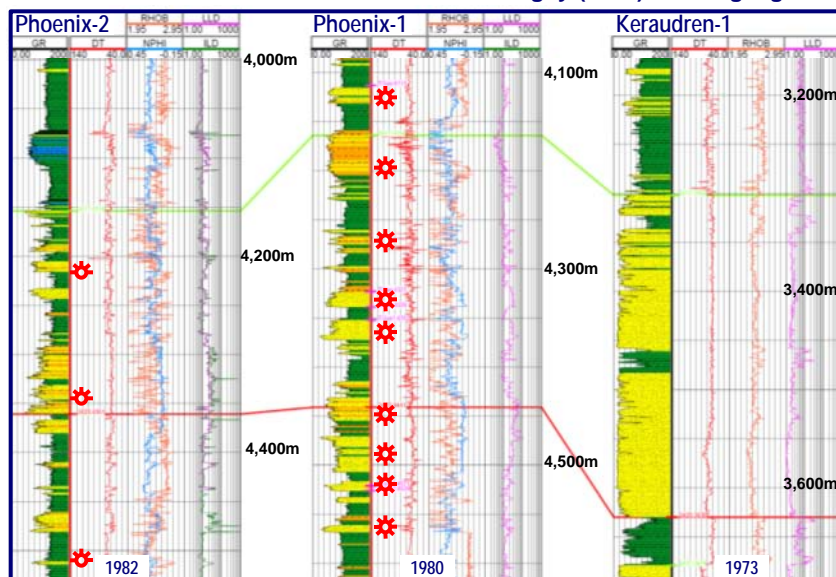


Dataroom **Opens 6 February 2012**



WA-435-P & WA-437-P farm-in executive overview

Well correlation section flattened on Base Cossigny (239T) showing significantly improved reservoir to the south and east



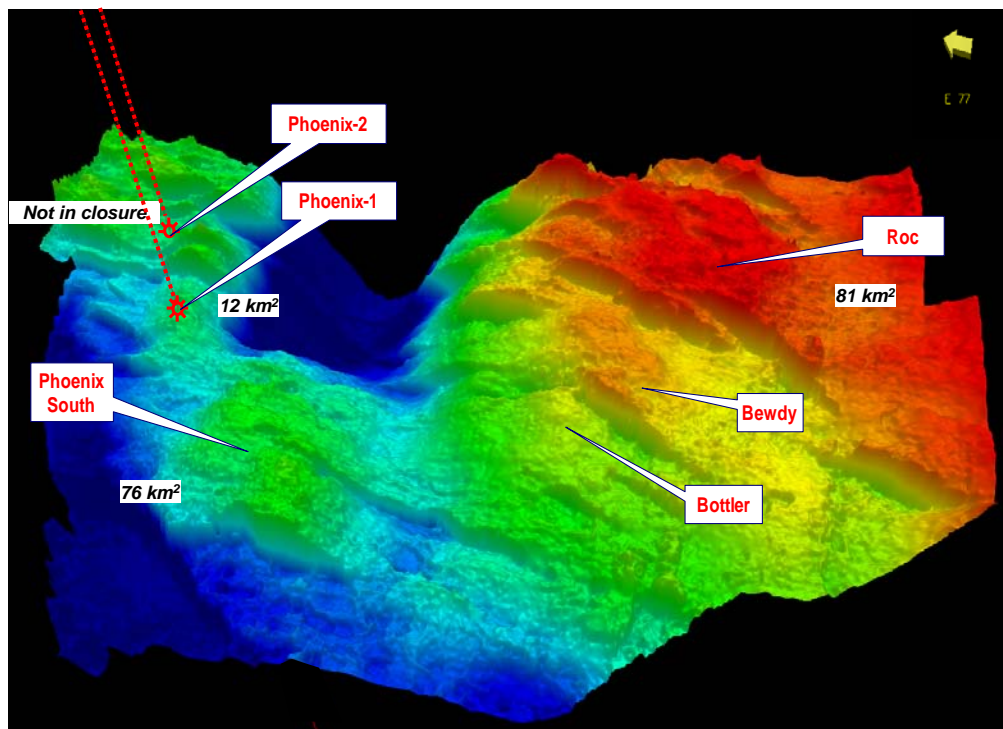
Phoenix-1 de-risks Phoenix South & Roc extracts from BP's Phoenix-1 reports

"Geological Completion Report" (July 1980):

- "Thicker sandstones below 4113m yielded significant gas shows"
- "All sandstones below 4113m are gas bearing" &
- "Net gas-bearing pay is estimated to be 110.5 m³"

"Drilling Completion Report" (July 1980):

- "Drilling was suspended (at total depth 4,880m) without testing when it was deemed unsafe to continue operations with available pressure control equipment"
- Due to gas influx into the wellbore.



3D depth visualisation of near top gas (as intersected in Phoenix-1) within the Phoenix 3D seismic dataset.

Shows the Phoenix South and Roc Prospects and demonstrates that Phoenix-2 was not drilled within structural closure

Physical dataroom
Opens Monday 6 February 2012
Closes Friday 2 March 2012

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