

Farmout of Phoenix blocks

18 October 2012



Highlights

- Apache will acquire a 40% equity interest and become Operator.
- JX Nippon will acquire a 20% equity interest.
- The Apache and JX Nippon farmin will collectively cover the cost of drilling the Phoenix South prospect (firm) and the Roc Prospect (contingent on result of Phoenix South well).
- As part of the transactions Carnarvon will receive a payment covering past costs, payable on registration of the new permit interests.
- Carnarvon and Finder will each retain a 20% equity interest.

Carnarvon Petroleum Limited (ASX:CVN) ("**Carnarvon**") and Joint Venture partner, Finder Exploration Pty Ltd ("**Finder**"), advise that Farmin Agreements have been executed with Apache Northwest Pty Ltd ("**Apache**") and JX Nippon Oil & Gas Exploration (Australia) Pty Ltd ("**JX Nippon**") in relation to exploration permits WA-435-P and WA-437-P.

Following the farmin, interests in the two permits will be as follows:

Joint Venture Partners	Pre-farmin equity position	Post-farmin equity position
Apache (<i>Operator</i>)	-	40%
JX Nippon	-	20%
Finder	50%	20%
Carnarvon	50%	20%

The Phoenix South prospect is located within the WA-435-P exploration permit and the Roc prospect is within the WA-437-P exploration permit.

The Phoenix South prospect will target gas in lower Triassic reservoirs and will be drilled to a minimum depth of 4,500 metres. The Roc prospect will also target gas in the lower Triassic and will be drilled to a minimum depth of 4,000 metres. All parties to the Joint Venture will agree the final depth of each well once well planning work commences.

Each prospect has been estimated, by Carnarvon and Finder, to have the potential to contain multi Tcf's of recoverable gas and significant associated volumes of liquids. The prospects are in the immediate vicinity of the Phoenix-1 gas discovery.

As a result of the farmin, Carnarvon will retain a 20% interest in each permit and will not have an exposure to the cost of drilling the Phoenix South prospect (firm commitment) and the Roc prospect (contingent on result of Phoenix South well) below an agreed cap, which is expected to cover the full cost of each well.

Should Carnarvon and/or Finder participate in any subsequent development then Carnarvon and/or Finder agree to use reasonable endeavours to jointly market with Apache and JX Nippon any petroleum liquids or natural gas produced from the permit(s), subject to the parties entering into a mutually acceptable joint marketing agreement and to the arrangements falling within the provisions of the Competition And Consumer Act 2010 (Cth).

Commenting on the farmin Carnarvon CEO and Managing Director said:

“Carnarvon is pleased to welcome Apache and JX Nippon to the Joint Venture and is looking forward to working with the other Joint Venture participants in realising the potential in these permits. This is an exciting time for Carnarvon and its shareholders given the resource potential of both the Phoenix South and Roc prospects. We are also looking forward to unlocking the greater hydrocarbon potential in the region, especially the oil potential, and to seeing the outcomes from these and other significant activities planned in the surrounding permits.”

Refer Annexure A for further background details on these exploration permits.

Yours faithfully



Adrian Cook
Managing Director
Carnarvon Petroleum

Annexure A – Background details on these exploration permits

Carnarvon secured their interests in five contiguous exploration permits between the Carnarvon and Browse Basins in 2009 via dealings with Finder and the Government gazettal process.

Prior to the farmin outlined above Carnarvon held a 50% interest in four large contiguous exploration permits comprising WA-435-P, WA-436-P, WA-437-P and WA-438-P. Carnarvon also holds a 100% interest in a fifth contiguous exploration permit, namely WA-443-P.

Since securing the above interests a number of major oil and gas companies have secured exploration permits in the surrounding area.

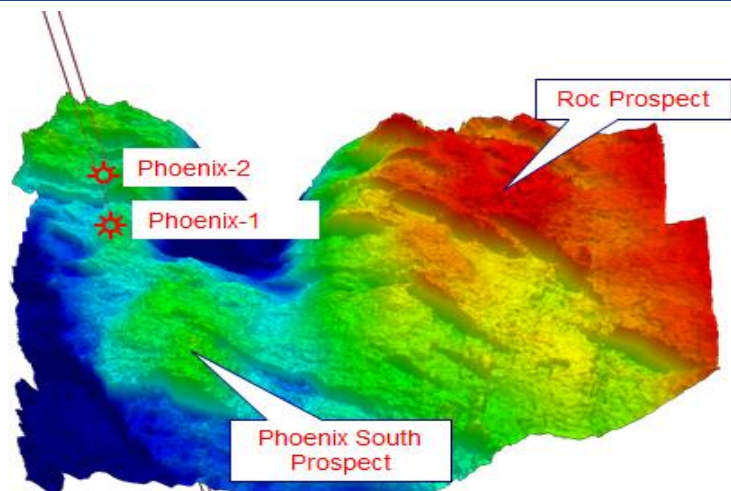
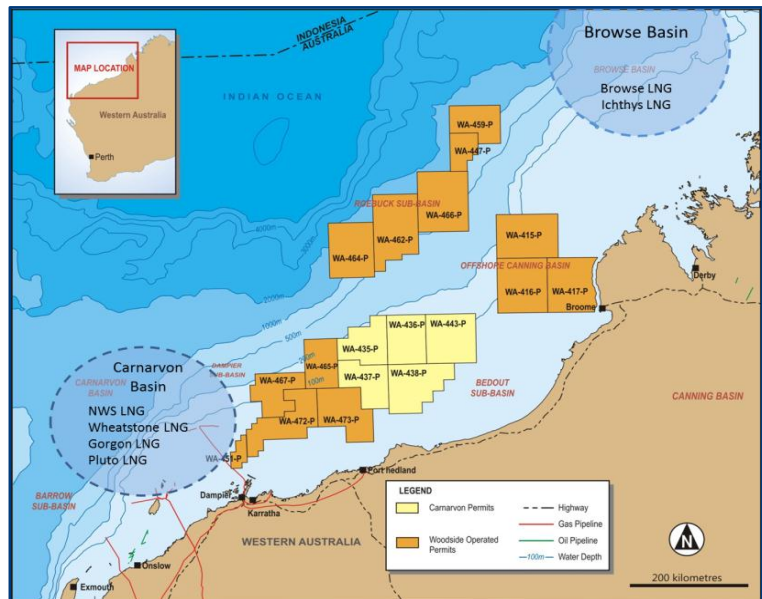
Carnarvon’s strategy is to progressively farmout its interests in its permit holdings to support further exploration activities commencing with this farmout of the WA-435-P and WA-437-P permits.

The farmout of WA-435-P will see the drilling of the multi-Tcf Phoenix South prospect, adjacent to the Phoenix-1 gas discovery. With success the nearby multi-Tcf Roc prospect could also be tested. Both prospects also have the potential to contain liquids rich gas based on Phoenix well mud logs in comparison with mudlogs from condensate-rich NWS gas fields.

Based upon oil shows in regional wells, Carnarvon also believes the region has the potential to contain significant oil resources.

Following this farmin by Apache and JX Nippon and the commitments of new entrants, approximately 25 new exploration wells will be drilled in the next five years in this region.

This is expected to bring new focus and activity to the region in which Carnarvon has a significant existing position.



Phoenix 3D seismic survey near top gas depth surface

