

Attention: ASX Company Announcements Platform

Lodgement of 'Company Interview'



'COMPANY INTERVIEW'-MARKET PROFESSIONALS

Carnarvon Petroleum Limited

Date of lodgement: 13/11/2013

TITLE: "Company Interview - Strong Operations & Exploration Outlook"

Highlights:

- **Company value underpinned by production, reserves and cash on hand.**
- **Production increasing in Thailand, with significant upcoming drilling activity expected to further drive production growth.**
- **Upcoming Phoenix South-1 well on track to be drilled in the coming months, with potential to be transformational for Carnarvon.**
- **Detailed presentation to be given at the AGM on Friday 15 November at the BGC Building, Perth & followed by Q&A between management & shareholders.**

Record of interview:

Company Interview question:

Carnarvon Petroleum Limited (ASX code: CVN, market capitalization of ~\$65 million) has announced that it has drilling about to commence both onshore Thailand and offshore Western Australia. What outcomes can your shareholders expect over the next 6 to 12 months?

Managing Director, Adrian Cook

At this time the Company's market capitalisation is underpinned by the value of current oil production and reserves in Thailand and its cash reserves. We also have the high impact Phoenix South-1 offshore well preparing to spud between mid December 2013 and mid January 2014 and the next phase of drilling expected to commence in Thailand within the next month.

Success in the Phoenix South -1 offshore well has the potential to be a game changer for Carnarvon given the size of the primary target and the additional potential hydrocarbon zones that will be tested. Success in the Phoenix South-1 well will also focus attention on the surrounding prospects and leads in this and two adjoining blocks, in which Carnarvon holds a significant 50% interest.

Success in the next Thailand drilling program is expected to further improve production levels and consequently earnings and cash flows for Carnarvon. Current production levels are able to fund ongoing exploration and development drilling operations in these proven, highly profitable oil fields with additional production generating surplus free cash flows that in due course would be invested in Carnarvon's other activities.

Success in both the Phoenix South-1 well and Thailand drilling program will naturally be a welcome outcome for the Board, management team and shareholders of Carnarvon, and we would expect result in a substantial value re-rating for the Company.

Before we continue may I take this opportunity to remind you and our shareholders that our AGM will be held this Friday 15 November at 10:30am at the BGC Building, Ground Floor 28 The Esplanade, Perth. I will be presenting an update on the Company's operations and following the presentation directors and the Carnarvon management team will be available to answer questions from shareholders.

Company Interview question:

Carnarvon announced attributable production for the September 2013 quarter from the L44/43 and L33/43 concessions (CVN: 40%) in Thailand was 48,299 barrels of oil, being an average **525** bopd (a 9% increase on the June 2013 quarter of 44,035 barrels of oil being an average **484** bopd), generating positive net operating cash flows of \$2.7 million before tax (June quarter 2013, \$2.1 million). What is the outlook for both production and cash flow and the main areas of influence to that outlook?

Managing Director, Adrian Cook

In the month of October 2013 average production was relatively steady at approximately **540** bopd net to Carnarvon, and is currently at this level, so the field is performing better than the September 2013 quarter at this stage.

The next increase in production and cash flow in the Thailand joint venture is expected from successful drilling activity in the forthcoming program that is expected to commence in late November or early December this year. Our short-term plans are to drill another 4 – 8 wells with the number being determined by the results of each well. We anticipate that the drilling program will generate additional free cash flow in reasonably short order and will be funded from existing cash and cash flows within the joint venture.

Company Interview question:

In the last quarter, Carnarvon announced independently assessed proven plus probable reserves (2P reserves) were revised to 12.2 million barrels net to Carnarvon (CVN: 40%). Can you briefly explain the development plans for these reserves?

Managing Director, Adrian Cook

As we announced in August this year, Carnarvon has net developed reserves of some 1.5 million barrels that require no further capital and would be produced over the next 5-10 years from existing wells resulting in significant cash flows. Carnarvon is planning to use its share of future free cash flows to, amongst other things, re-invest into the Thailand assets to develop the probable and possible reserves, and add to reserves and reserved acreage through additional exploration.

Development planning currently involves focusing on a number of reserve areas initially. More specifically, we will be targeting the Wichian Buri, Wichian Buri extension and Bo Rang areas and the L33/43 concession area containing the new 3D seismic from a technical and drilling perspective.

Carnarvon and the Operator (Towngas) felt it prudent to concentrate technical resources on a smaller number of areas that can be developed more comprehensively. We envisage these and the other reserve areas will be developed in a staged manner.

Company Interview question:

Carnarvon has been testing the WBEXT-2C well in the L44/43 Concession in Thailand (CVN: 40%). Can you explain the well testing results including the oil and gas shows and reservoir horizons encountered?

Managing Director, Adrian Cook

Two main oil zones were identified during the drilling of the well. The operator has been focused on the deeper of the two oil zones that has produced approximately 15,500 bbls of oil to date with additional testing and well work planned. The shallower oil zone is expected to be tested once the deeper zone work has been completed. The results to date have been encouraging in that we've been able to test a new concept for drilling through an entire section of igneous reservoir and then control flow and test it while monetizing the offtake. We are looking forward to replicating these results in the coming drilling program.

Company Interview question:

What is the status of the water flood program in the WBEXT-1B sandstone fault block in the L44/43 concession (CVN 40%), Thailand and expected impact on production into the future as you possibly broaden the application of this work?

Managing Director, Adrian Cook

Water is successfully being injected into the WBEXT-1B sandstone fault block as we speak, with current results being as predicted with modest production increases resulting from the progressive increase in reservoir pressure. The rate of increase in oil production from this area is expected to increase into the March 2014 quarter as the reservoir pressures continue to increase. With everything going to plan at the moment, we are in the process of identifying a number of other fault blocks in the concession where this process can be applied. The widespread application of this technique can deliver sustainable increased levels of production for a low incremental cost in areas where the majority of the wells have already been drilled.

Company Interview question:

The processing of 3D seismic on L33/43 concession in Thailand (CVN 40%) is complete. Can you explain the next steps from here?

Managing Director, Adrian Cook

This new 3D seismic data is expected to provide a suite of new exploration, appraisal and development opportunities covering both sandstone and igneous reservoirs. The data covers the northerly extension of the WBEXT fields and a number of previous oil discoveries.

A number of drilling locations in this area are being prepared for drilling in the next program with a more comprehensive well inventory building as the technical work continues.

Company Interview question:

Back onto your offshore North West Shelf portfolio, extensive new technical work on the Phoenix blocks (WA-435-P and WA-437-P, CVN 20%) has recently been undertaken. Can you explain those results? How has it altered your view on the prospectivity of the Phoenix blocks?

Managing Director, Adrian Cook

The Phoenix South-1 well has the potential to intersect a number of stacked targets in addition to the original prospect that formed the basis of the farm-out to Apache and JX Nippon. The presence of multiple targets increases the chance for commercial recovery of hydrocarbons, and also enhances the potential volumes.

In addition, a growing inventory of new play types has the potential to lead to an active exploration program following the Phoenix South-1 and Roc wells.

Company Interview question:

How will it affect your drilling approach? When do you expect drilling to commence at Phoenix South-1?

Managing Director, Adrian Cook

The location of the Phoenix-South well has been carefully selected to maximise the chance of intersecting as many potential hydrocarbon zones as possible whilst not compromising the primary gas target that was proven in the nearby Phoenix-1 well.

In terms of timing, based on recent information from the operator, namely Apache, the best estimate for spud is between mid December 2013 and mid January 2014. A key factor impacting this timing is the completion of drilling activities at the Goodwyn field development, operated by Woodside Petroleum Limited, where the drill ship we are contracting is currently operating.

Company Interview question:

Carnarvon clearly has a great deal of activity ahead of it in the next 6 months. How will you manage these activities?

Managing Director, Adrian Cook

The past 12 months have been a very busy time preparing for the upcoming drill programs ahead of us and we are looking forward to seeing the results from these drilling programs in the coming months with the Phoenix-South well in particular having the potential to materially transform the company.

Company Interview:

Thank you Adrian.

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