

Phoenix South-2 gas & condensate discovery

19 December 2016



Highlights

- Gas and condensate in Phoenix South-2 well near top of the primary Caley target
- Elevated formation pressures prevent further drilling and evaluation

Carnarvon Petroleum Limited ("Carnarvon") (ASX:CVN) is pleased to inform shareholders that the Phoenix South-2 well has penetrated a definitive hydrocarbon-bearing interval at or near the primary Caley target.

The well drilled an estimated 39 metre hydrocarbon-bearing zone between approximately 5,176 and 5,215 metres with significant gas influx and elevated reservoir pore pressures. The well was unable to assess as much as 185 metres of additional potential hydrocarbon bearing Caley reservoir beneath 5,215 metres due to the higher than anticipated pressures being encountered.

Encouragingly, higher formation pressures typically support both larger volumes and higher gas and condensate flows rates over a given reservoir. They also require a different well bore design from that used in this well. Accordingly, for safety reasons, no further drilling and formation evaluation can occur in the current well bore.

The operator and Carnarvon will now assess these results and consider the most appropriate forward plan for assessing the entire Caley zone of interest.

Carnarvon's Managing Director and Chief Executive Officer, Adrian Cook said: *"We are very encouraged with the results of this gas and condensate discovery and feel confident there is a significant amount of potential still to be assessed in the Caley formation beneath the current wellbore."*

The extent of the increase in reservoir pore pressure observed while drilling into the Caley formation could indicate a hydrocarbon body larger than any that we have previously encountered in the basin and even larger than we were expecting pre-drill.

We've taken another very important step in unlocking this new basin and we certainly look forward to further clarifying its potential as our forward work programs are finalised.

In the near term, we will work with the operator on the next phase of drilling in this and the other target structures in our Phoenix and Roc permits. The Carnarvon team will also take the opportunity to update the resource estimates for the Caley sandstone with this new information."

The Phoenix South-2 well is located within the WA-435-P exploration permit in the North-West Shelf of Australia. The equity interest holders are:

Carnarvon Petroleum
Quadrant Energy (Operator)

20%
80%

Yours faithfully

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

Adrian Cook
Managing Director
Carnarvon Petroleum

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Figure 1: Stratigraphic column encountered by the Phoenix South-2 well with major formations outlined.

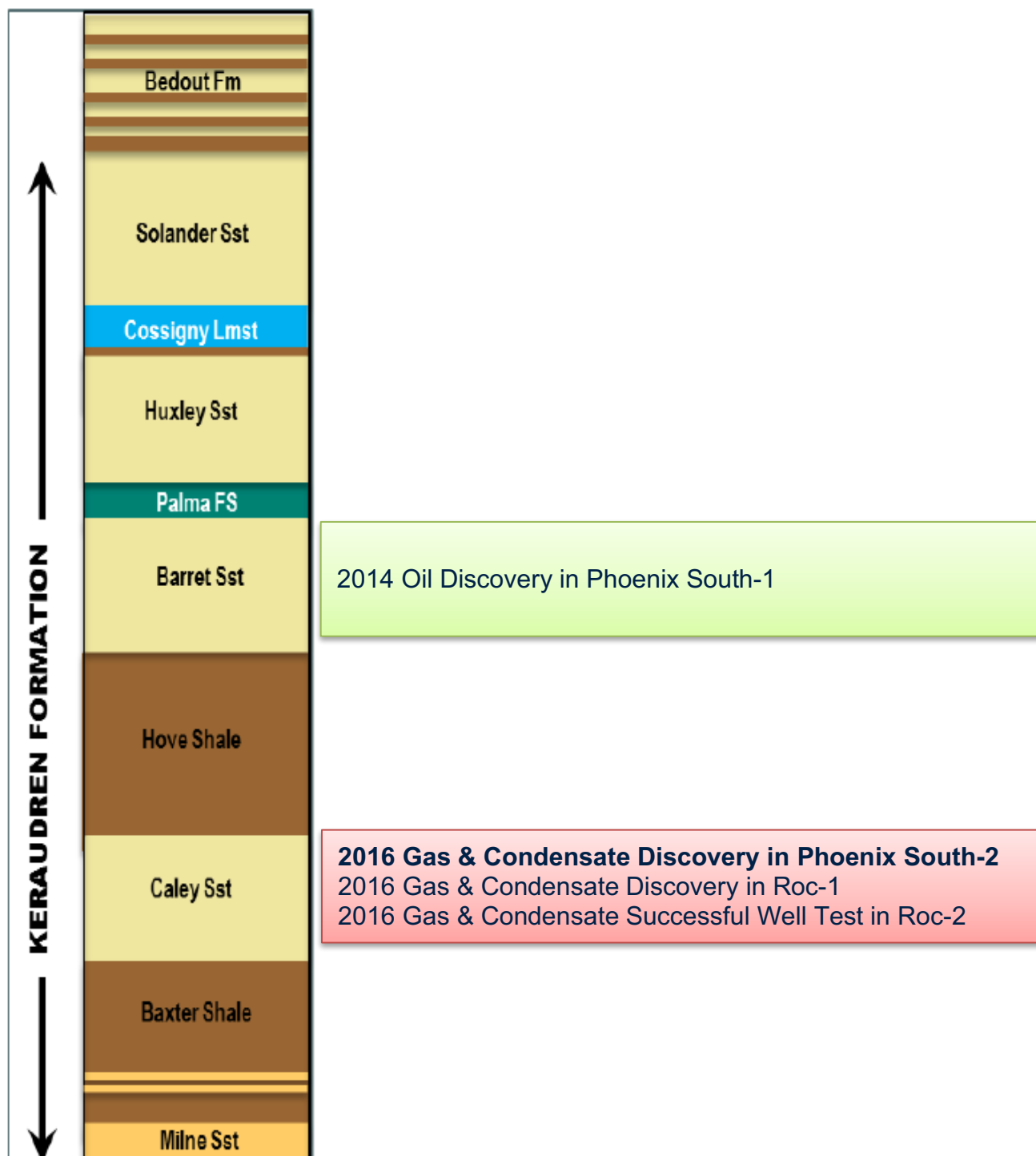


Figure 2 - Location of the Phoenix South-2 well

BASE TRIASSIC / TOP PERMIAN TIME STRUCTURE MAP (MILLISECONDS TWO WAY TIME)

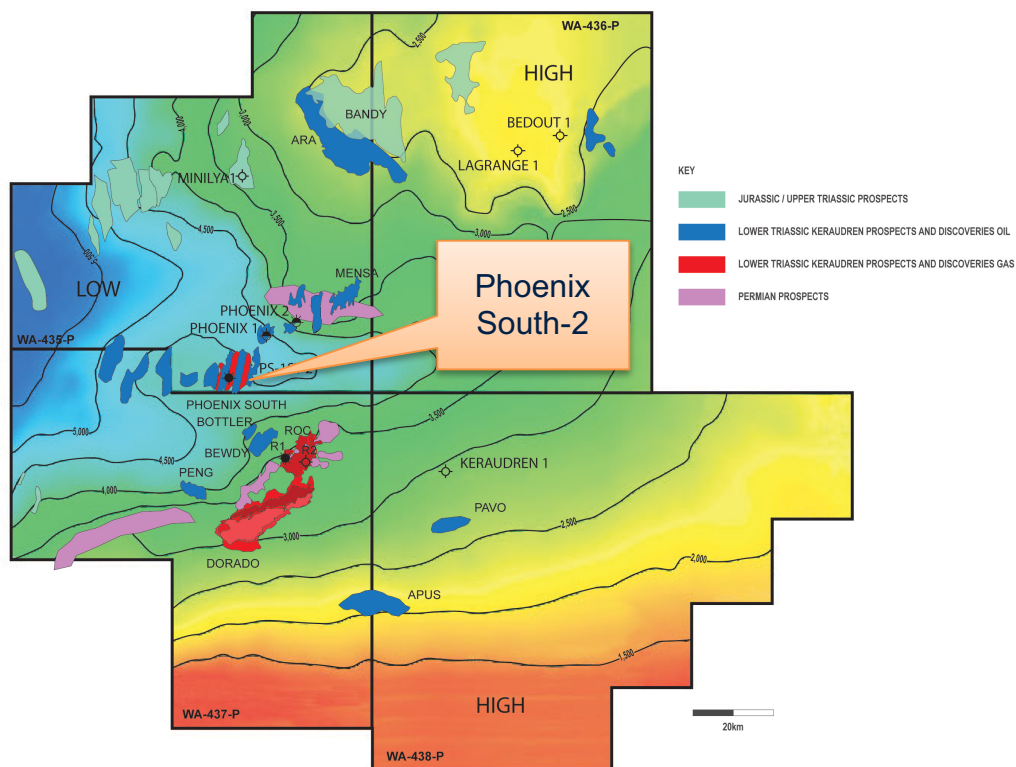


Figure 3: Caley depth map

