

Phoenix South-2 well commencement

25 October 2016



Highlights

- **Following the successful Roc-2 well, Carnarvon and Quadrant immediately proceed to the highly prospective Phoenix South-2 well**
- **The Phoenix South-2 well has two primary objectives:**
 1. **Evaluate the commerciality of the Phoenix South oil field in the Barret Sandstone; and**
 2. **Explore for gas and condensate in the deeper Caley Sandstone, akin to the Roc field**
- **Additional objectives involve exploration of the Hove and Huxley members**

Carnarvon Petroleum Limited ("Carnarvon") (ASX:CVN) is pleased to advise that the Phoenix South-2 ("PS-2") well is expected to commence in the next 7 days. This well is appraising the Phoenix South-1 oil discovery that Carnarvon announced on 18 August 2014 and will also evaluate similar structures to the gas-condensate discoveries announced with the drilling of Roc-1 (4 January 2016) and Roc-2 (23 September 2016). Additional technical work completed on the Caley formation has convinced the joint venture this large structure in Phoenix South-2 warrants assessing at this time.

Carnarvon Managing Director and CEO, Adrian Cook said:

"We are in a unique position to utilise the Ocean Monarch rig immediately after the Roc-2 well and we are thrilled to be returning to the Phoenix South area to drill the Phoenix South-2 well.

The success of Roc-2 which flow tested at a maximum equipment constrained rate of 51.2 million standard cubic feet (scf) per day of gas and 2,943 barrels of condensate per day, highlights the productive nature of the reservoir in this basin.

The result at Roc-2 has given the joint venture the confidence to undertake additional drilling activities. This well will appraise the Phoenix South oil discovery that was made in the 2014 Phoenix South-1 well and will drill into the Caley formation that contained gas and condensate in both the Roc-1 and Roc-2 wells. The Caley Sandstone was not an objective of the Phoenix South-1 well in 2014, so this is a very exciting target in the Phoenix South-2 well.

We also look forward to evaluating the hydrocarbon potential in the Huxley and Hove members in Phoenix South-2 where encouraging hydrocarbon shows were observed during the drilling of the Roc-1 and Roc-2 wells.

Our plans are to build on our understanding of the resource potential in this area in order to evaluate the range of development options. The Roc and Phoenix South well results represents an important part of this assessment."

Phoenix South-2 well timing

The Operator of the WA-435-P exploration permit, Quadrant Energy, has advised that the “Ocean Monarch” rig is expected on location at the Phoenix South-2 site within the next 7 days.

PS-2 will be drilled down to a total depth of around 5,500 metres and is expected to take a little over two months to complete the drilling operations.

Both the Barret and Caley formations will be evaluated using Logging While Drilling (“LWD”) and wireline formation evaluation tools. No coring or well testing is being planned in this well as sufficient information has been acquired in the area.

Phoenix South-2 location

The Phoenix South-2 well is located in around 100m water depth, approximately 160 km north-east of Port Hedland in the Bedout sub-basin of the greater Roebuck basin (figure 1).

Phoenix South-2 is located around 2km East of the Phoenix South-1 oil discovery well.

Financial

An arrangement is in place with the operator that will enable Carnarvon to fund the first \$5 million of the expected \$20 million net well cost and enable Carnarvon to contribute the balance into any future work at Phoenix South and a small promote to be offset against future production. This arrangement provides Carnarvon with some optionality and added flexibility to manage its near term financial obligations for the Phoenix South-2 well.

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

Carnarvon Petroleum	20%
Quadrant Energy (<i>Operator</i>)	80%

Yours faithfully



Adrian Cook
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Figure 1 - Location of the proposed PS-2 well

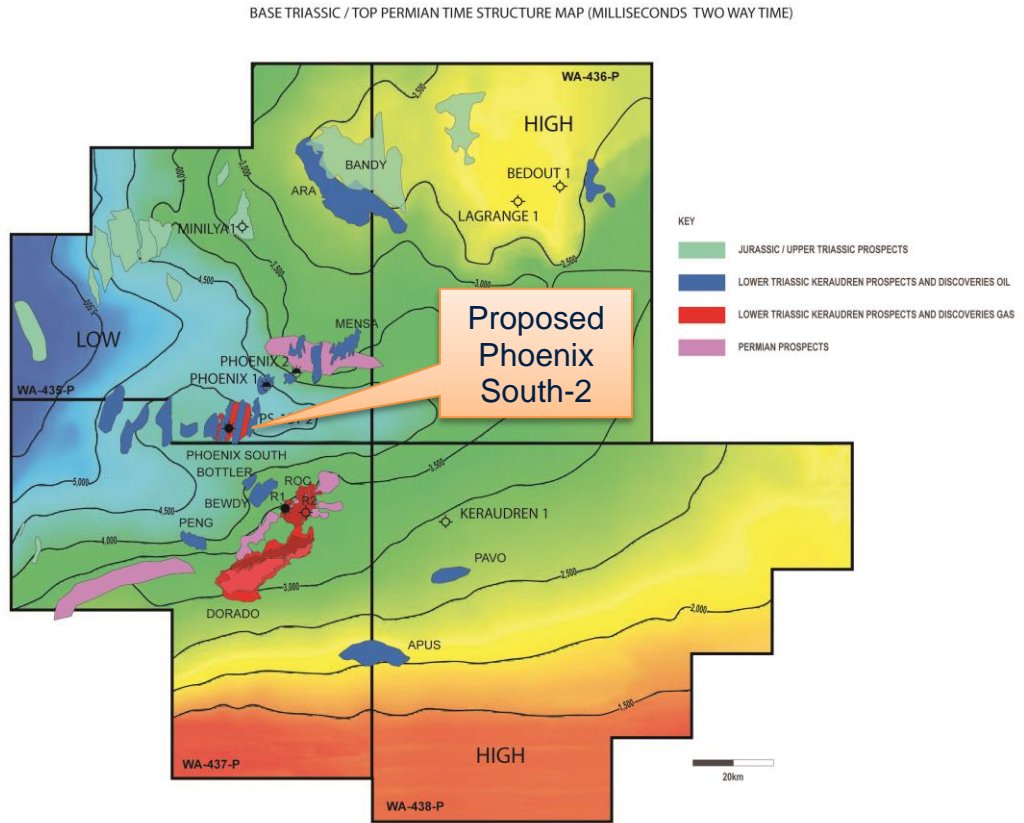
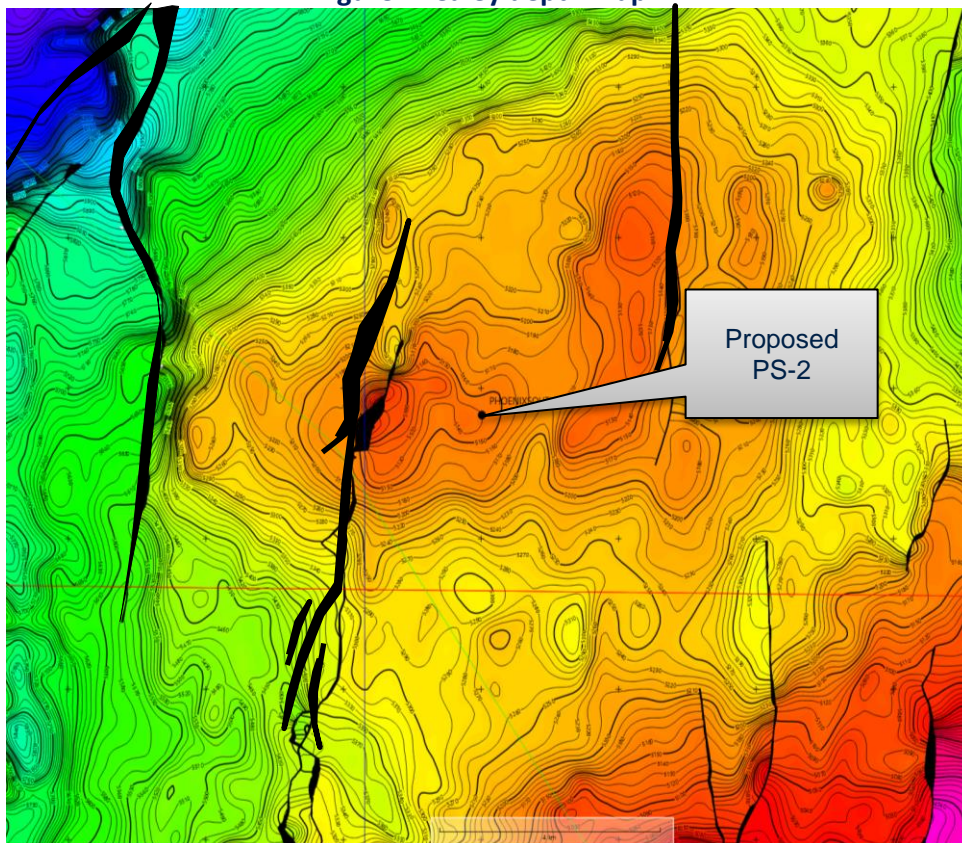


Figure 2: Caley depth map



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