

Phoenix Update

2 March 2012



Carnarvon Petroleum Limited ("Carnarvon") (ASX:CVN) is pleased to provide shareholders with an update on its Western Australian assets covering exploration permits WA-435-P, WA-436-P, WA-437-P and WA-438-P (50% interest) and WA-443-P (100% interest).

Highlights

1. Woodside Energy Limited planning active exploration program nearby in same Roebuck basin in 2012 & 2013;
2. Phoenix (referring to WA-435-P & WA-437-P permits) farm-out process receiving strong interest; and
3. Carnarvon advancing its strategy to mature further acreage for additional farmouts;
4. New 3D seismic acquisition in (WA-435-P, WA-436-P and WA-443-P) commenced in December 2011.

1. Region under focus

The abovementioned exploration permits cover a substantial 28,000 km², situated between the Browse and Carnarvon basins, offshore Western Australia. This region is coming under increasing focus, particularly for its gas potential, given its proximity to the North West Shelf gas facility, planned LNG projects and domestic gas pipeline infrastructure.

Woodside Energy Limited ("Woodside") was recently awarded five new exploration permits between the Browse and Carnarvon basins which are in the same basin as Phoenix. Woodside have more recently outlined plans to acquire 11,000km² of 3D seismic data in 2012 and start exploration drilling in 2013. Woodside have stated that they believe their permits could contain gas targets between 0.2 and 12 Tcf, albeit with very high risk at this stage.

Carnarvon's exploration permits, awarded in 2009 and 2010, are located near the Woodside permits and contain:

1. an existing gas discovery (namely in the Phoenix-1 well); and
2. new 3D seismic data that supports two significant multi-Tcf gas prospects (namely the Phoenix South and Roc prospects).

2. Phoenix farm-out process

The Phoenix assets were the focus of the initial work program and contain:

1. gas discovered in the Phoenix-1 well;
2. 1,100km² 3D seismic data acquired in late 2010 / early 2011 over the gas discovery and nearby prospects; and
3. comprehensive technical work undertaken to assess the prospectivity of the region covered by the 3D data and to prepare for farm-out (a process whereby a party acquires an equity interest in exchange for undertaking and funding a specified work program, such as drilling a well).

The new data and technical work undertaken to date supports two substantial multi-Tcf gas prospects and several new leads in the two permits.

The farmout process commenced on schedule in December 2011. Due to the high level of interest in the asset, the data room has been extended two weeks to accommodate further interested parties. The joint venture remains optimistic as to finalising a farm-in agreement early in the third quarter of 2012.

3. Carnarvon's strategy

Carnarvon secured its interest in these permits with the intent to acquire new 3D seismic data, complete relevant technical work and farm-out a portion of its interest to a party or parties to operate and fund the drilling of exploration wells.

Carnarvon's strategy is to focus initially on the permits containing the most relevant data, namely the WA-435-P and WA-437-P permits that include the Phoenix gas discovery and 3D seismic data. As the prospectivity in the region is matured the Company is broadening the 3D seismic database. This new data is expected to mature farm-out opportunities as further technical work is completed. Carnarvon holds an interest in five exploration permits in the region and the first farmout is expected will involve two of those permits, namely WA-435-P and WA-437-P.

4. Next phase of data acquisition

Given the size of the area covered by the five permits, additional 3D seismic data is being acquired in incremental stages.

The next phase involves the acquisition of ~4,289km² of 3D seismic data (the "Zeester" program) to assess several leads in the area and enable further technical work to be undertaken before the next farm-out process is initiated.

Fugro Multi Client Services Pty Ltd ("Fugro") commenced acquisition of the ~4,289 km² seismic program on 13 December 2011. The acquisition area covers a portion of permits WA-435-P, WA-436-P and WA-443-P as outlined below. The data is expected to be available to Carnarvon in the third quarter of 2012 on a multi-client basis, although at this stage Carnarvon has not committed to licence the data.

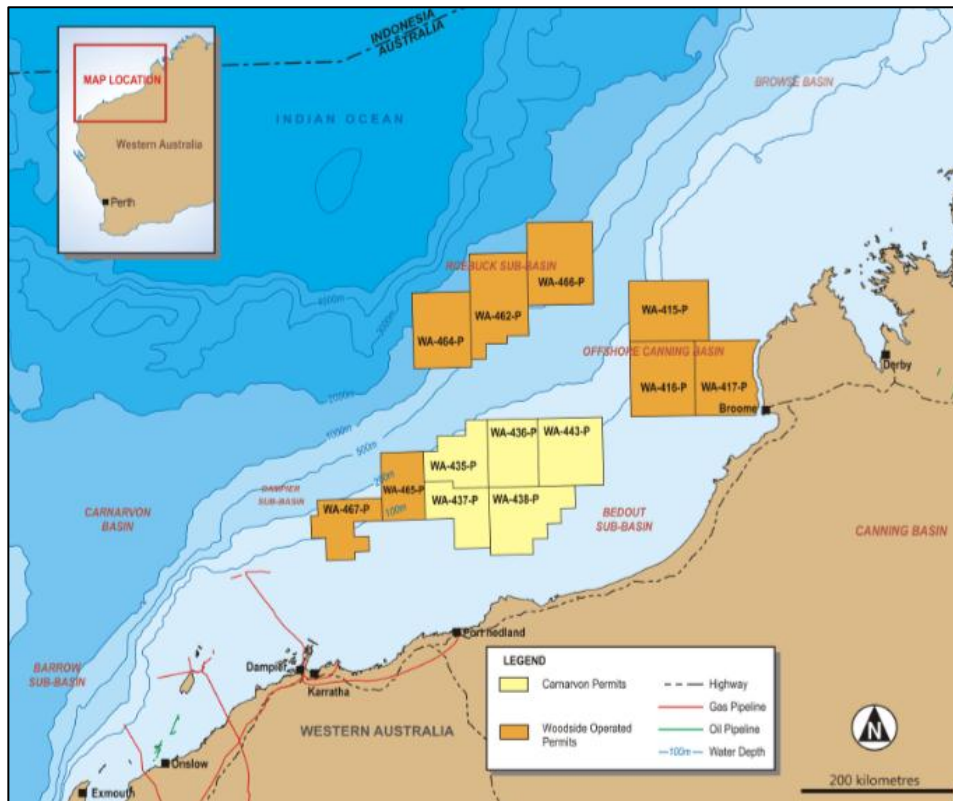
For all enquiries please contact:

Adrian Cook
Managing Director - Carnarvon Petroleum
08 9321 2665
Email: admin@cvn.com.au

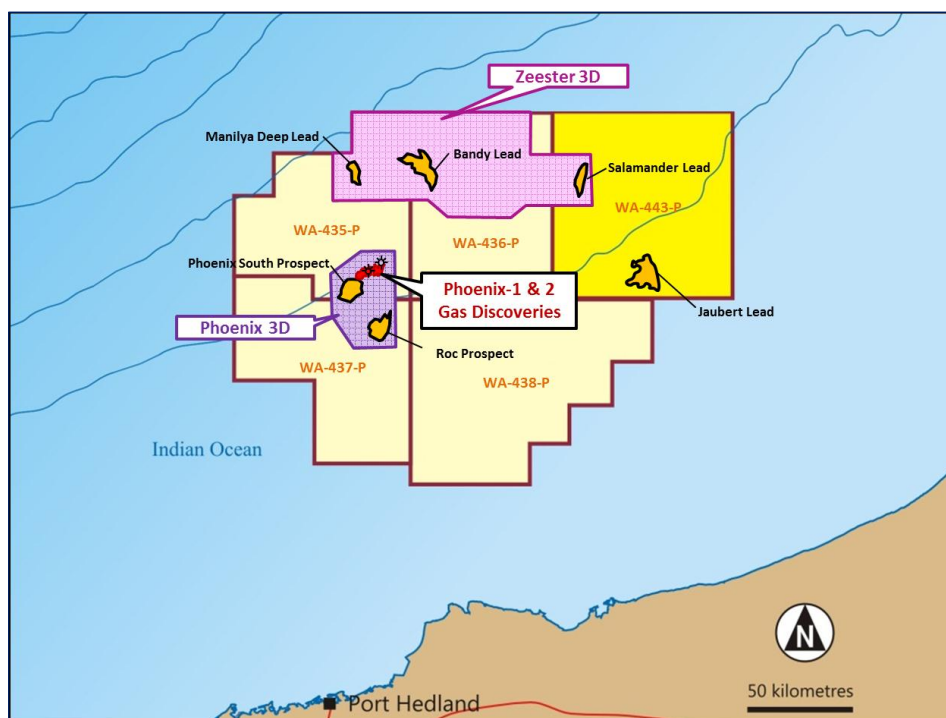
Yours faithfully



Adrian Cook
Managing Director
Carnarvon Petroleum



Carnarvon permits relative to those held by Woodside Energy Limited



Carnarvon permits showing Phoenix wells and 3D seismic over prospects & leads