

Corporate and Operational Update

24 June 2013



Highlights

- **Production in Thailand** has been relatively stable during the June 2013 quarter to date and work continues on activities to increase oil flow rates through work overs (ongoing), igneous drilling (two programs planned in the second half of 2013) and sandstone development (water injection is expected to commence in July, with equipment now secured).
- The **Phoenix South** well in Western Australia, where Carnarvon is free-carried on a multi-TCF prospect by Apache and JX Nippon, is on schedule to spud between November 2013 and January 2014 using the Atwood Eagle drilling rig, with new work identifying additional prospectivity that could be tested by this well.
- Carnarvon retains robust **cash reserves of approximately \$20 million, no debt**, and is prudently managing activities within its operating cash flows

Carnarvon Petroleum Limited ("Carnarvon") (ASX:CVN) is pleased to provide shareholders and the market with a general update covering the following:

Production in Thailand – *steady while improvement activities in progress*

Production in the L44/43 and L33/43 concessions has been stable since the last quarterly report, at around 1,300 bopd gross.

Carnarvon has been working with the operator on a water flood project in the WBEXT "D" and "E" sand reservoirs. The water flood will help sweep the oil to improve overall recovery and restore reservoir pressure to increase flow rates.

The water injection equipment is now available and the operator is currently awaiting final government approvals to commence the program. The operator has advised that it anticipates commencing water injection in July 2013.

In terms of the next drilling program, the operator is finalising a proposal to drill between one and three wells and Carnarvon expects to review and approve the drill prospects at a technical committee meeting in July 2013. Further detail will be provided on the timing of the wells once this has been confirmed by the joint venture.

A second drilling program is being planned for the fourth quarter of 2013 focused primarily on new 3D seismic data acquired in early 2013 over the production license and surrounding exploration acreage in the L33/43 concession. The operator has advised that they are assessing a range of exploration, appraisal and development locations primarily within the area covered by the new 3D seismic data.

At this stage there is no further information with regard to the re-commencement of the remaining shut-in production by the Agricultural Land Reform Office. Approximately 200 bopd (gross) remains shut in awaiting regulatory approvals.

In relation to the annual reserves assessment, the operator requested an extension from the Thailand authorities to submit the report. The request was made to enable the operator to complete additional technical work. The report, which will state the reserves position as at 31 December 2012, is expected to be provided to Carnarvon in July 2013

Phoenix South – large target and potentially now more prospective

Apache, as the operator of the WA-435-P permit in Western Australia, has advised Carnarvon that the Phoenix South well is expected to spud between November 2013 and January 2014, using the Apache-contracted Atwood Eagle drilling rig.

The Phoenix South prospect is assessed by Carnarvon as a multi-TCF prospect that will be drilled on modern 3D seismic data and in proximity to proven gas in the Phoenix-1 well. Carnarvon is free carried on drilling (within an agreed cost cap) and will retain a material 20% interest in the permit. This provides Carnarvon shareholders with significant leverage to exploration success on this well.

Carnarvon recently completed additional technical work within the WA-435-P permit, uncovering a potential new oil prospect and a new stratigraphic gas prospect. Both prospects have the potential to be tested by the Phoenix South well, subject to a technical review by the operator.

If successful, the Phoenix South well has the potential to open up the prospectivity in the region for oil and gas. Importantly Carnarvon holds a significant interest in approximately 28,000 km² of contiguous acreage providing a great deal of scope for further exploration.

Financial – activities with the capability of financial reserves

The Company retains cash reserves of approximately \$20 million, has no debt, and is prudently managing its activities, particularly in Thailand, in order to fund those activities from its cash flows from oil production.

Carnarvon's CEO, Mr Adrian Cook said: *"We look forward to the planned activities in the next six months to improve production from operations in Thailand and to test the significant Phoenix South well in Western Australia. The activities in Thailand are to be funded from operating cash flows and the Phoenix South well is to be funded from the farm-out last year to Apache and JX Nippon. We are currently focused on extracting value from the company's asset base and recognise the importance of doing this within the company's financial means having regard to current economic conditions."*

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Yours faithfully



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