



CARNARVON
PETROLEUM LTD

**Presentation covering
Half Year Financial Report**

For the half year ended 31 December 2016





There are numerous uncertainties inherent in estimating reserves and resources, and in projecting future production, development expenditures, operating expenses and cash flows. Oil and gas reserve engineering and resource assessment must be recognised as a subjective process of estimating subsurface accumulations of oil and gas that cannot be measured in an exact way. These prospective resource estimates have an associated risk of discovery and risk of development. Further exploration and appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

This presentation contains forward looking statements which involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies including those risk factors associated with the oil and gas industry, many of which are outside the control of and may be unknown to Carnarvon Petroleum Limited.

No representation, warranty or assurance, express or implied, is given or made in relation to any forward looking statement. In particular no representation, warranty or assumption, express or implied, is given in relation to any underlying assumption or that any forward looking statement will be achieved. Actual and future events may vary materially from the forward looking statements and the assumptions on which the forward looking statements were based.

Given these uncertainties, readers are cautioned not to place undue reliance on such forward looking statements, and should rely on their own independent enquiries, investigations and advice regarding information contained in this presentation. Any reliance by a reader on the information contained in this presentation is wholly at the readers own risk.

Carnarvon and its related bodies corporate and affiliates and their respective directors, partners, employees, agents and advisors disclaim any liability for any direct, indirect or consequential loss or damages suffered by a person or persons as a result of relying on any statement in, or omission from, this presentation.

Subject to any continuing obligations under applicable law or any relevant listing rules of the ASX, Carnarvon disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in this presentation to reflect any change in expectations in relation to any forward looking statements or any such change in events, conditions or circumstances on which any such statements were based.

Nothing contained in this document constitutes investment, legal, tax or other advice. This document, and the information contained within it, does not take into account the investment objectives, financial situation or particular needs of any recipient. Before making an investment decision, you should consider seeking independent professional advice before seeking to take any action based on the information contained in this document.

This presentation has been prepared by Carnarvon. No party other than Carnarvon has authorised or caused the issue of this document, or takes responsibility for, or makes any statements, representations or undertakings in this presentation.



Reported Loss for Period	(\$32.0m)
---------------------------------	------------------

Included in the above were impairments for:	
---	--

Outtrim East-1 Well	(\$10.2m)
Loyz Deferred Consideration	(\$22.2m)

Underlying loss	(\$0.4m)
------------------------	-----------------

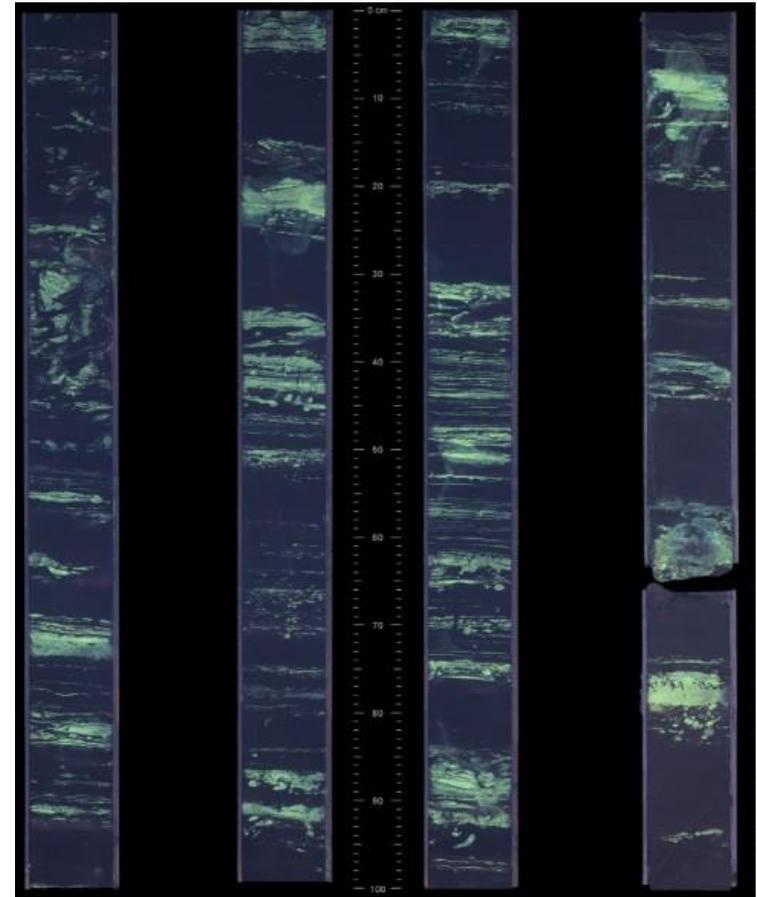
Carnarvon's half year loss of approximately \$32m incorporated the impairment of the Outtrim East-1 well and the deferred consideration from Loyz Energy Limited ("Loyz").

The impairments reflect the application of best practice in accounting standards.

Both assets the subject of impairment continue to be held by the Company.

Commercially, the Company actively pursues initiatives to maximise the value of all of its assets, including those that have been impaired for accounting purposes.

- The Outtrim East-1 well made an oil discovery in 2016.
- While technical work has not yet been completed, Carnarvon believes the Outtrim East value proposition is likely to be lower than that in Carnarvon's Phoenix / Roc acreage where the Company's technical and financial resources will be prioritised in the immediate future.
- Under accounting standard AASB 6, where limited immediate future expenditure is planned in a permit, as is the case in the Outtrim East permit, best practice provides that accumulated expenditure be written off, which the Company has done in this financial report.
- The Outtrim East-1 discovery remains in the CVN portfolio and the Company's plan is still to pursue commercial and technical opportunities to aggregate this resource with others in the region.



Preliminary ultraviolet light photographs of the Outtrim East-1 core outlining hydrocarbon occurrences in the reservoir



- In 2014 Carnarvon divested a portion of its interest in permits in Thailand containing oil production.
- The consideration for the sale included US\$33 million and a deferred consideration of up to US\$32 million which was to be paid by the purchaser (namely Singapore listed Loyz) from 12% of the revenue they derived from the oil field each calendar year.
- At 30 June 2016 this receivable had a reported value in Carnarvon's balance sheet of \$22.2 million
- In the current reporting period the receivable from Loyz has been impaired for the following reasons:
 - Deterioration in the financial position of Loyz;
 - Consideration of the underlying thai asset field performance; and
 - Continuing challenges in industry conditions.
- Notwithstanding Carnarvon's accounting treatment, the payments under the original commercial arrangement continue to be due and payable by Loyz to Carnarvon.
- Carnarvon continues to pursue its rights under the sale and purchase agreement and there is no dispute as to there being a legal obligation from Loyz to Carnarvon.
- Carnarvon and Loyz continue good faith discussions with respect to the ongoing recovery of the receivable that is currently owing and how Loyz can meet its obligations in the future.

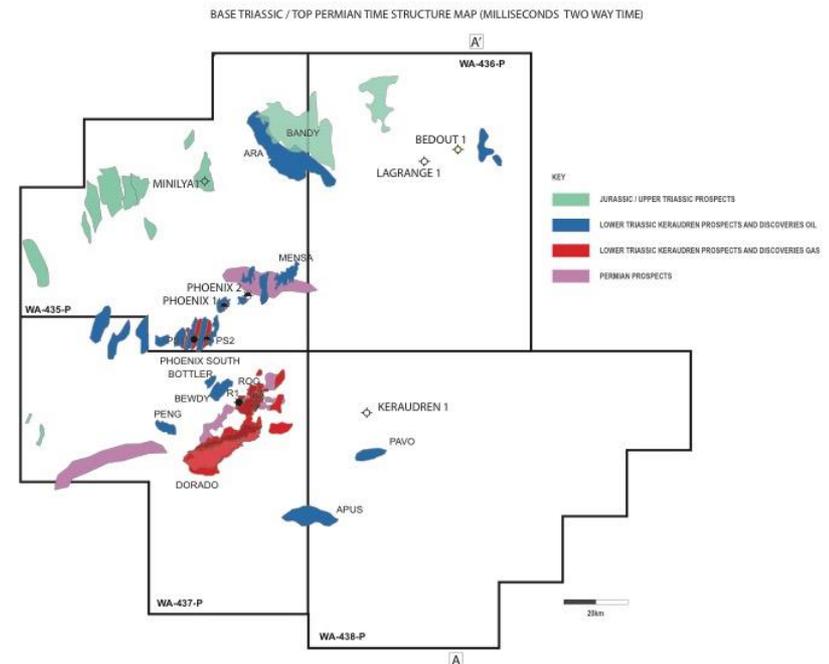
Exploration and Evaluation Expenditure



- The success in the Roc and Phoenix permits strongly supports further exploration and appraisal activities, and their associated expenditure.
- The permits currently represent the Company's primary area of focus for value generation.
- These conditions support accumulated expenditure of \$42.8 million being capitalised on the Company's balance sheet.



Successful flow test at Roc-2



Prospect inventory in Roc and Phoenix area

Financial position



Cash	\$60.0m
Receivables	\$2.6m
Payables	(\$1.4m)
Other	(\$0.2m)

Carnarvon maintains a prudent balance sheet with \$60 million in cash and no debt.

Receivables of \$2.6 million pertain to joint venture balances owing by the operator of the Phoenix / Roc permits associated with drilling activities and have been received since the accounting period end.

The Company also maintains prudent levels of permit commitments and will continue to do so while industry conditions remain challenged or unclear.



Think Different

Act Different