

CEO Newsletter

16 February 2016



Dear Shareholders,

In my CEO Newsletter last month, I said we were “very encouraged” by the results of the Roc-1 well. As it turned out I was outdone by our joint venture partner, FINDER Exploration, who publicly stated their own views that were significantly more optimistic than our own initial comments.

Unfortunately, our attempt to bring the presentation to your attention and therefore allow you to make informed investment decisions was met with a stern response from the Australian Securities Exchange (ASX). But our intention was appropriate, namely to be fair to and do the right thing by our shareholders, and the shareholders I spoke to were appreciative of this.

With the Roc-1 well completed the joint venture participants are now busy analysing the well data, and will be considering potential future drilling activities and the release of initial volume range estimates in the near future.

Shortly the joint venture partners will reconvene to consider the above, after which we expect to be in a position to update shareholders on the next steps for this project.

Since last writing we also introduced a new project to the business.

The Outtrim Project is a compelling exploration opportunity and has a well planned to be drilled in mid-2016. The project appealed to us for several reasons.

Firstly, and most importantly, Outtrim contains known oil resources and our analysis of previous drilling results leads us to believe that more oil exists in those permits.

Secondly, the project could be scaled up or down depending on the exploration results to become either a stand-alone operation or could be tied in with other nearby oil discoveries.

Thirdly, our outlays to secure the Outtrim Project were modest. In our view this acquisition represents a continuation of our corporate strategy of creating value for our shareholders through the acquisition, development and commercialisation of oil and gas projects on the North West Shelf.

What is clear is that this area of the Exmouth Basin contains oil. Our challenge is to aggregate enough oil to support appraisal and exploration activities and seek a positive commercial outcome for our shareholders.

No doubt like me you are eager to see some improvement in our share price. In my humble opinion, we are being buffeted by market concerns related to the global economy and the changes in the price of oil, even though we do not produce oil at this time.

Our view on oil prices hasn't changed. We think the issue of global over-supply will eventually correct itself as higher cost producers scale back supply. What is becoming interesting though is the dramatic decline in global investment in new exploration. This is the feedstock for future production and begs the question what consequence will we pay for this in the medium term?

So we remain optimistic about the oil price and it is our intention to position some of Carnarvon Petroleum's portfolio to take advantage of opportunities that arise and to be well-placed when oil prices recover.

As you can see from the December 2015 Quarterly Report, our financial position remains strong with \$100 million in cash (~10 cents per share) and prudent expenditure outlays.

We believe we have an exciting project before us in Roc and Phoenix South, a new project to test later this year, more ideas to come and a very strong balance sheet to support these activities. I certainly feel we're putting in place the right building blocks for an active and successful 2016.

Yours faithfully



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