

CEO Newsletter

20 March 2017



Dear Shareholders,

As outlined last month we have now initiated plans to drill the Dorado-1 well later this year. Our key task is to secure an appropriate drilling rig with the invitation to tender receiving a good initial response from drilling rig owners.

We're also assessing the next steps for Phoenix South, including a volume estimate upgrade following the encouraging Phoenix South-2 well result.

Our partner in the Phoenix permits, Quadrant Energy continues to actively work on the permits and recently spent time updating Pilbara stakeholders on our progress and future plans.



Port Hedland chief executive David Pentz and mayor Camilo Blanco with Quadrant Energy's David Parker (centre)

The meeting resulted in a positive article being published in the local newspaper with support for the project and its potential for the region.

Of the three new projects we secured in 2016, the technical work is progressing at quite a rate.

The new 3D seismic technology being applied to the Buffalo project is showing significant improvement in imaging and depth conversion. The work is on schedule and I'm expecting the data product in June or July for interpretation. The goal is to better image the Buffalo oil field and near field prospects to give us a better chance of finding significantly more oil.

The Maracas project is also receiving the same new 3D seismic technology as Buffalo. The kick off meeting for this occurred last Friday and I expect the data in the first quarter of 2018.

Our WA-521-P permit adjoining the Phoenix project has several really interesting and large structures identified on the new 2D seismic. I'm expecting our technical team to peer review this work in the coming weeks before we work through the next stages of the work program and present it and our other blocks to industry at the biannual South East Asian Petroleum Exhibition in Singapore and at the Australian Petroleum Production and Exploration Association conference in Perth.

We've been hard at it recently broadening investor awareness of our business. This year we have presented to a broad spectrum of investors including retail, institutional and high net worth and family offices. We've presented in Sydney, Melbourne and Perth and further afield in London, Germany and Switzerland.



Image of Carnarvon's booth at the London APPEX conference

The response from investors has been very positive and we'll continue to actively promote the company as we progress toward drilling our next wells.

The tremendous thing about our Phoenix project is the opportunity to benefit from both oil prices and more stable gas prices in the future. This was recognised by investors even with questions about the short-term direction of oil prices. On long term oil prices, which are more relevant to us, I continue to be bullish and as the months pass and the industry continues to underinvest, I think the oil price recovery will be all the stronger.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Adrian Cook'.

Adrian Cook
Managing Director