

CEO Newsletter

22 November 2017



Dear Shareholders,

Our Annual General Meeting in Perth last week was an active affair once we worked through the formal section of the meeting. I presented an update on the business that was followed by shareholders meeting our staff and talking in an informal setting about each of the Company's projects.

This format is quite unique and the shareholders I met afterwards appreciated the opportunity to engage with staff in this manner. As such I think we'll follow this same format next year.

I opened my presentation (which was lodged with ASX on Friday) by saying that our strategy re-set a number of years ago is now clearly taking shape with a growing portfolio of quality projects and an active couple of years ahead of us, particularly in the Phoenix and Buffalo projects.

I also thought the oil price was at an important juncture and we could see this climbing strongly in the coming years as we'd hoped. We're already seeing green shoots returning to the sector and are watching closely for when major companies look for new growth opportunities, and importantly the sort of projects that we've been maturing over the last three years.

In terms of our Phoenix project, I talked about how we hold a large strategic position in a new oil and gas province. I said that our job in 2018 was to drill the Phoenix South-3 and Dorado-1 wells to find new oil and gas that, with what we've discovered in Roc, will give us a high degree of confidence that we have a commercial project. These two wells have a very good chance of success, appreciating the key risks being the presence of sufficient quality reservoir in Phoenix South-3 and side seal effectiveness in Dorado-1. But success in either or both wells will bode very well for this project and our future!

The Buffalo project is a great example of the Carnarvon team converting a regional seismic imaging problem into an incredible opportunity. We need to drill a well into the targeted area to ultimately confirm our work but it looks very robust at this stage. A significant amount of work is underway at the moment across several disciplines. Maturing these further in 2017 we expect will put us in a very strong position to determine how this project proceeds in 2018.

New oil source data and large structures in our Labyrinth project support recoverable oil volumes that are likely to attract the attention of major companies who focus on the North West Shelf. In this project we want to be able to work with a partner to acquire 3-D seismic before drilling the best prospect.

In our latest project, Condor, we're looking to use brand new high quality 3-D seismic data to better identify oil trapping structures in an area that is proven to contain oil and gas. We identified and secured this permit based on our regional technical work and certainly think it provides us with another exciting project.

I then talked about employing new FWI seismic technology in the Maracas project, technology that has proved effective in the Phoenix and Buffalo projects. What we're looking for is a prospect that contains a traditional and new play that we can target in the one well.

Overall, I felt we had a very positive AGM this year and we're looking forward to being very busy and successful next year, drawing on all the hard work that we've completed over the past three or four years.

Yours faithfully

A handwritten signature in dark ink, appearing to read "Adrian Cook".

Adrian Cook

Managing Director

Carnarvon's portfolio of projects

