

CEO Newsletter

19 December 2017



Dear Shareholders,

I'd like wish you all a very Merry Christmas and a happy and prosperous New Year. I'm especially wishing us all mutual prosperity with hopefully two successful Phoenix project wells next year.

In relation to the Phoenix project, we recently provided a short update following a technical meeting run by the operator of the project. We're looking good to start the Phoenix South-3 and Dorado-1 wells in March and May 2018 respectively, based on current information. Both well results are likely to occur in late June and July 2018. For more information on these two wells I've inserted the links to our updates for your convenience:

[Phoenix South-3 update](#)

[Dorado-1 update](#)

Some of you have been asking what we've been doing on the Buffalo project since the last project updates, updates that I've also linked below:

[Buffalo resource estimates](#)

[Buffalo project Q&A](#)

In short, we're re-running FWI processing on the data with finer and finer resolution and are continuing to see improvements in imaging quality as we learn to optimise the process. I won't steal Andy Padman's thunder on this subject but we're pretty happy with how the data quality is improving and our increasing confidence in the project's potential.

As we're beginning to see improving sentiment in the oil and gas sector the Carnarvon team is preparing to commence the process to farm out the Labyrinth project in the new year. We'll make a call on this in late January and, fingers crossed, we'll find a like minded partner keen to join us in taking this pretty exciting project forward.

Given the large volume potential involved in the Labyrinth project, any success here will be a game changer for Carnarvon and the area. For more information on this please check out our last update on this project in the link below:

[Labyrinth project update](#)

Speaking of improving market conditions. The Australian Energy Market Operator (AEMO for short) recently released their review of the WA gas market. A link to that report is contained below:

[AEMO Gas Statement of Opportunities](#)

This report can be challenging to understand but for me the key message is in the statement on page 6 that reads "Despite the potential gas resources in WA, the current level of proved and probable (2P) reserves will not meet gas demand for the outlook period, and further exploration and development will be required for Base potential supply to meet demand." This statement is relevant for the Phoenix project's gas potential. But the great thing about the Phoenix project is that it also contains a substantial amount of liquids that could add incredible value in a project development.

So to end where I began, from everyone here at Carnarvon, we wish you all a safe and Merry Christmas and a happy and prosperous New Year.

Yours faithfully

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

Adrian Cook
Managing Director

Carnarvon's portfolio of projects

