

Letter to shareholders

13 November 2018



Dear Fellow Shareholder,

It was tremendous to catch up with those of you who were able to join us at the Annual General Meeting last Friday. It was one of the most highly attended AGM's in the Company's history and may well have us rethinking the location or room size for next year.

We're cognisant that many shareholders are simply unable to attend the meeting and this year we want to give those of you in this group a feeling for the meeting beyond that that we can deliver in the presentation and Chairman's script that was lodged with ASX.

Upon opening the Managing Director's address I said that there were four key areas of focus in our business, being:

1. Continuing with our business model and maturing new plays that farm in partners find appealing;
2. Appraising the Dorado oil, gas and condensate discovery so that we're in a position to make a Final Investment Decision (FID) on development by 2020;
3. Progressing our Buffalo oil field re-development project to bring that into production within a reasonable timeframe; and
4. Managing our capital and financing so that we're able to deliver an appropriate return to shareholders.

I spent some time discussing the significance of the Dorado discovery and there were some very good questions from shareholders around this and our forward plans.

The Dorado result definitely warrants appraisal drilling in 2019 and we discussed the two wells that are aiming to assess the extent of the resources for development purposes. We're particularly focused on the oil in the Caley to see if we can bring that into production in a timely manner which may be prior to gas production and sales.

Developing the oil in the Caley would have a lower capital cost and generate earlier cash flows that could facilitate a larger field development which would capture the remaining oil, the gas and the condensate. The development thinking around the early oil production has already commenced as its required if we're to achieve FID in 2020.

A shareholder asked about how we determined the extent of the resource estimates, particularly the oil water contacts (OWC), seeing how we mostly only saw oil in the Dorado well. We have a reasonable amount of information from the other five wells drilled in the basin, which when added to the wireline logging information from Dorado, particularly the pressure data, that we are able to extrapolate the OWC beyond what we saw in the well and hence calculate the Dorado resource estimates. The two appraisal wells next year will also go a long way toward refining these estimates and giving us the confidence level needed to start thinking about the development phase in more detail.

The Dorado well has discovered a mixture of oil and gas with condensate and it's important to understand that the different hydrocarbon types are compatible from a development point of view, and are able to be developed in conjunction with the nearby Roc discovery. From the hydrocarbon samples recovered from Dorado we are also not seeing material amounts of unwanted components such as sulphur, mercury or carbon dioxide in the fluids tested to date so the hydrocarbons look appealing as the world focuses on cleaner energy sources.

While on this point, we were asked about climate change as a risk to our business. We noted that at this stage of the Company's activity it is not a significant risk but as we move forward it will continue to be monitored along with other relevant risks.

As I covered above, our focus on Dorado appraisal drilling in 2019 is intended to put us in a position to consider FID in 2020. It's worth noting that we're also focused on increasing the resource volume already discovered.

The Dorado result has unlocked a number of similar structures nearby and they'll be receiving plenty of attention next year. As we recalled at the meeting, the Dorado structure was new on our prospects inventory some two years ago. This is another reminder that we expect to unlock more opportunities as we drill and build our knowledge over time. It's certainly tempting to chase the biggest targets first but we need to mitigate risk and that brings the Apus structure into the discussion. On the chart shareholders saw, it's the largest prospect near Dorado. However, currently it is covered by 2D seismic data and to de-risk the prospect prior to drilling and progress our work on this we'll need to acquire 3D seismic over the structure. Discussions on the timing of a 3D acquisition is a key topic of the joint venture partners at the moment.

From a personal perspective I can envisage very appealing returns on our investment by putting production infrastructure in place using a host resource like Dorado and then progressively tying in lots of nearby resources over time. We're in that exact position now and I think that is an exciting, and hopefully financially rewarding, endeavour for us as shareholders.

The Apache team in Western Australia excelled at this systematic step out model on the North West Shelf and are well placed to do this again in the Bedout Sub-basin on Dorado and the satellite structures. And if you recall, Apache farmed into our permit in 2012 and by 2014 had been acquired by an investment consortium and renamed Quadrant Energy. Following the Dorado result Santos announced plans to acquire Quadrant Energy. I was asked a number of questions about Santos and their intentions for Dorado. In short, we're able to see what these are from their ASX releases and the most recent being their Investor Day presentation that is definitely worth you reading. Dorado was presented as their largest growth asset and I think will receive an appropriate level of support from the Santos team. At this stage we understand the completion of Santos' acquisition of Quadrant Energy is pending a review by the ACCC which is expected to provide its preliminary views by the end of this month.

Our Buffalo project commenced as an exploration opportunity and through our technical work and application of modern seismic reprocessing technology soon narrowed our near term focus toward the former Buffalo oil field. An oil field that produced 20 million barrels of highly valuable light oil which was still flowing at around 4,000 barrels of oil per day when it stopped production operations in 2004. Today we believe we can redevelop the field to pick up the 4,000 barrels of oil per day and materially add to that by tapping into unproduced attic oil that wasn't known about by the former owners.

In March this year the permit was split in two by the re-determination of the maritime boundary between Timor-Leste and Australia. As a consequence, our permit will become two, one in Australia and one in Timor-Leste with the Buffalo oil field in the latter. To proceed on the Timor-Leste side we need a Production Sharing

Contract (PSC) with Timor-Leste and we're well advanced in those negotiations. To drill the first Buffalo well we also need the appropriate approvals and we're also well advanced in obtaining those too. Because of the Dorado success and our focus on capital management, we feel it is appropriate later this year to investigate introducing a partner to assist with financing of this project. While the change in the maritime boundary has delayed our progress, we are advancing now with confidence and a clear plan and look forward to commencing the first drill operations in 2019 provided we receive the PSC on time.

Our slide on "What we hope to achieve in 2019" shows that if we achieve these goals it's going to be another very busy year in 2019. There is a lot to do between now and calendar year end to get ready to commence the new year on the front foot. I believe we're in good shape to do this and we expect to be providing you with some really interesting progress updates in the next six to seven weeks around all of the above.

And finally, in wrapping up, hopefully our "What we like about the business" was a clear demonstration of our achievements in recent times and an indicator of a very exciting future. The Board and management are incredibly excited about building on our value and share price through maturing our discovered resources to reserves and then producing oil, gas and condensate and discovering more hydrocarbons in and around Dorado and further within our broader portfolio of assets.

We're now incredibly well placed to achieve the above and continue to build our capabilities carefully in anticipation of, and to stay ahead of, growth as it occurs. Testament to that was the appointment of Gavin Ryan to the Board this year. Gavin brings legal and commercial expertise in the oil and gas industry that we expect will be invaluable as Dorado and Buffalo advance into their development phases.

We also sought shareholder approval at the AGM to increase the non-executive director fee pool. This was done to give the Board the capacity to add new non-executive directors with the relevant skills and experience to the Board as the business grows. In response to a question regarding what particular skill sets, the board considered there to be the potential for construction and operational expertise to be added should we proceed in that direction in 2019 and 2020.

I trust the above summary of what was a reasonably long Annual General Meeting provides those who were unable to attend with a better sense for the conversations of the day and our forward plans. I expect we'll have a number of updates to present to you throughout the short period that remains in this calendar year and then we look forward to an active drilling program next year.

Yours faithfully



Adrian Cook
Managing Director

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