

CEO Newsletter

20 December 2018



Dear fellow shareholders,

As 2018 draws to a close, I want to wish you all a very Merry Christmas and a safe and enjoyable festive break.

After many years persistently focusing on our strategy, it was very satisfying for your board and management team to announce the Dorado-1 well result this year.

We now have an exciting project that will form the centrepiece of our Company in the coming years.

Dorado should also become part of a larger regional development plan that we expect will include the already discovered Roc light oil and gas resource and a number of highly prospective targets near Dorado and Roc.

This year we also welcomed Santos into the Dorado joint venture following their acquisition of Quadrant Energy. We look forward to working with the Santos team and of course the Quadrant team who will be continuing on with this project.

While Dorado will take centre stage, let's not forget that we have a portfolio of assets in our business. We are working on a number of projects that we want to see adding near-term value (such as the Buffalo project) or generating longer term value that we can fund from the cash flows from our centrepiece assets (such as the Labyrinth project).

The latest on Dorado

As we announced recently, we have secured a drilling rig for our Dorado appraisal wells next year. We expect the rig to start making its way from Darwin port in late February before commencing the first Dorado well in April.

We anticipate these wells to give us a level of confidence around the recoverable volume of light oil and gas and its flow rates which would then enable us to complete our work on the development plans.

All going according to plan, we'll be making our Final Investment Decision (FID) in 2020 with a view to commencing development and moving Carnarvon into production.

Our current aim is to produce the light oil component first. The reason is that it typically requires lower upfront capital investment compared with a full field development. It will also provide important cash flow to support funding the full field development which would cover the remaining light oil, the gas and the associated LPG's.

While we await the drilling rig's arrival, significant work is progressing in parallel, ranging from development scoping to refining new exploration targets based on the information obtained to date.

In an ideal scenario, the work performed now will complement the appraisal drilling results in 2019 and consequently enable us to move efficiently through to FID, development and on to production.

The latest on Buffalo

As I covered at our Annual General Meeting, we are making good progress on finalising our production contract with the Timor Leste Government. The principle of this contract was that it should be on fiscal terms equivalent to those in Australia. At this stage we are not expecting any surprises to this objective.

We are also well advanced in the process of obtaining Australian Government approvals to drill the first Buffalo well. With agreement from the Timor Leste Government, we were able to start this process in Australia and expect to transfer the approvals once the Treaty is ratified by the Australian and Timor Leste Governments. This is still expected to occur in 2019.

We recently commenced a process to attract a joint venture partner into Buffalo to work with us on the project and provide funding support. Interest has been strong and we are hopeful we can announce a positive outcome on this front in the new year.

As the above elements come together in 2019, we'll be in a strong position to move to drilling the first well.

A history making year for the Company

The Dorado result was history making for Carnarvon!

As we take time to reflect on our position, your team feels that we have the business in an incredibly strong position with significant growth coming in manageable stages over time.

I look forward to updating you in more detail in 2019 as we anticipate a wave of news will arise across our project portfolio.

Once again, on behalf of the board and management, I wish you a happy and safe festive season.

Regards
Adrian