

Letter to shareholders

30 August 2018



Dear Fellow Shareholder,

Given the activity around and focus on our drilling results, it is timely to present and remind shareholders of the broader context and value proposition of the Company. To this end we have prepared and attach a succinct Shareholder Update for your consideration.

The Dorado discovery is the break through result Carnarvon was seeking. It is a large and exciting outcome that is expected to be central to the commercialisation of the oil and gas resources in this region.

The Dorado discovery also proves a play type that has a number of follow on targets to consider. We're refining these and look forward to presenting them to you shortly.

Santos recently announced their proposed acquisition of Quadrant Energy. We welcome them to the joint venture and look forward to working with their team, whom we know well.

We expect to be considering our forward program and development options around Dorado very soon. We're clearly keen to advance this work and intend to provide you with regular progress updates.

While the Dorado and Phoenix South wells have been the focus recently, our team has also been advancing our 100% held Buffalo oil field redevelopment project.

A central piece to this is the progression of the new Production Sharing Contract. Teams from Carnarvon and the Australian and Timor-Leste Governments have been working diligently on this task and appear to be making solid progress.

In addition to keeping you all informed of our progress across each of our projects, I also look forward to meeting as many of you as I am able, especially at our Annual General Meeting in November.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'Adrian Cook', is positioned above the printed name.

Adrian Cook
Managing Director



SHAREHOLDER UPDATE

CVN: the standout emerging oil and gas company on ASX

August 2018

DISCLAIMER & RESOURCE INFORMATION



The Resource estimates outlined in this report have been prepared by the Company's Chief Operating Officer, Mr Philip Huizenga, who is a full-time employee of the Company. Mr Huizenga has over 25 years' experience in petroleum exploration and engineering. Mr Huizenga holds a Bachelor Degree in Engineering, a Masters Degree in Petroleum Engineering and is a member of the society of Petroleum Engineers. Mr Huizenga is qualified in accordance with ASX Listing Rules and has consented to the form and context in which this statement appears.

All contingent presented in this report are prepared as at 28 August 2017, 23 April 2018 and 20 August 2018 per the Company's announcement released to the 28 August 2017, 23 April 2018 and 20 August 2018. The estimates of contingent and prospective resources included in this announcement have been prepared in accordance with the definitions and guidelines set forth in the SPE-PRMS. Carnarvon is not aware of any new information or data that materially affects the information included in this presentation and that all material assumptions and technical parameters underpinning the estimates in this presentation continue to apply and have not materially changed. Carnarvon used deterministic and probabilistic methods to prepare the estimates of these contingent resources. These contingent resources have been aggregated by arithmetic summation and hence the aggregate 1C may be a very conservative estimate and the 3C may be a very optimistic estimate due to the portfolio effects of arithmetic summation.

There are numerous uncertainties inherent in estimating reserves and resources, and in projecting future production, development expenditures, operating expenses and cash flows. Oil and gas reserve engineering and resource assessment must be recognised as a subjective process of estimating subsurface accumulations of oil and gas that cannot be measured in an exact way. These prospective resource estimates have an associated risk of discovery and risk of development. Further exploration and appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

This presentation contains forward looking statements which involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies including those risk factors associated with the oil and gas industry, many of which are outside the control of and may be unknown to Carnarvon Petroleum Limited.

No representation, warranty or assurance, express or implied, is given or made in relation to any forward looking statement. In particular no representation, warranty or assumption, express or implied, is given in relation to any underlying assumption or that any forward looking statement will be achieved. Actual and future events may vary materially from the forward looking statements and the assumptions on which the forward looking statements were based.

DISCLAIMER & RESOURCE INFORMATION (CONTINUED)



Given these uncertainties, readers are cautioned not to place undue reliance on such forward looking statements, and should rely on their own independent enquiries, investigations and advice regarding information contained in this presentation. Any reliance by a reader on the information contained in this presentation is wholly at the readers own risk.

Carnarvon and its related bodies corporate and affiliates and their respective directors, partners, employees, agents and advisors disclaim any liability for any direct, indirect or consequential loss or damages suffered by a person or persons as a result of relying on any statement in, or omission from, this presentation.

Subject to any continuing obligations under applicable law or any relevant listing rules of the ASX, Carnarvon disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in this presentation to reflect any change in expectations in relation to any forward looking statements or any such change in events, conditions or circumstances on which any such statements were based.

Nothing contained in this document constitutes investment, legal, tax or other advice. This document, and the information contained within it, does not take into account the investment objectives, financial situation or particular needs of any recipient. Before making an investment decision, you should consider seeking independent professional advice before seeking to take any action based on the information contained in this document.

This presentation has been prepared by Carnarvon. No party other than Carnarvon has authorised or caused the issue of this document, or takes responsibility for, or makes any statements, representations or undertakings in this presentation.

COMPELLING OIL & GAS INVESTMENT OPPORTUNITY



OIL DOMINANT

Significant oil weighted portfolio with 65 million barrels in net 2C contingent resources

DEVELOPMENT

Multiple highly attractive development projects in shallow water on the North West Shelf of Western Australia

HIGH MARGIN

Rapid pathway to commercialization of the two high margin oil field development projects with a line of sight to the generation of significant free cash flows in the future

GROWTH

Identified near-term high impact exploration potential across the portfolio with more detail to be provided shortly

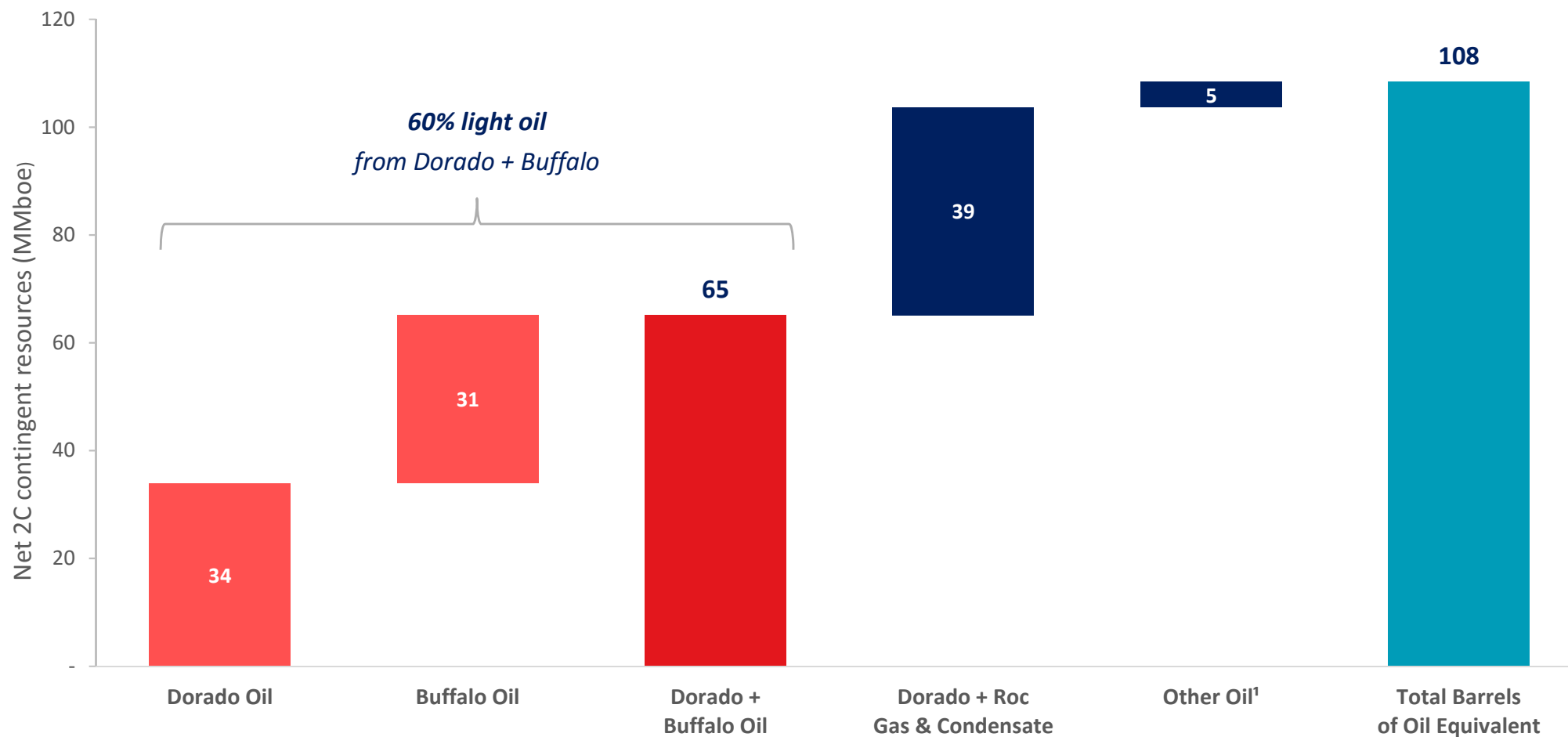
FUNDING

Multiple funding options available with no near term funding requirements given balance sheet strength

RESOURCES DISCOVERED



Carnarvon's net 2C contingent resources of **108 MMboe** are conventional shallow water discoveries.



Notes:

1. Includes Phoenix and Phoenix South 2C Contingent Resources (light oil).

Carnarvon's portfolio of oil & gas assets include **two near-term oil developments**.

DORADO OIL (20% Carnarvon)

- Potential near-term **oil development**
- Third largest oil resource ever discovered in the North West Shelf
- Appraisal drilling plans in progress

BUFFALO OIL (100% Carnarvon)

- Potential near-term **oil development**
- Low cost re-development of previous oil field shifting to Timor-Leste territorial waters
- Buffalo well scheduled for drilling in Q3, 2019

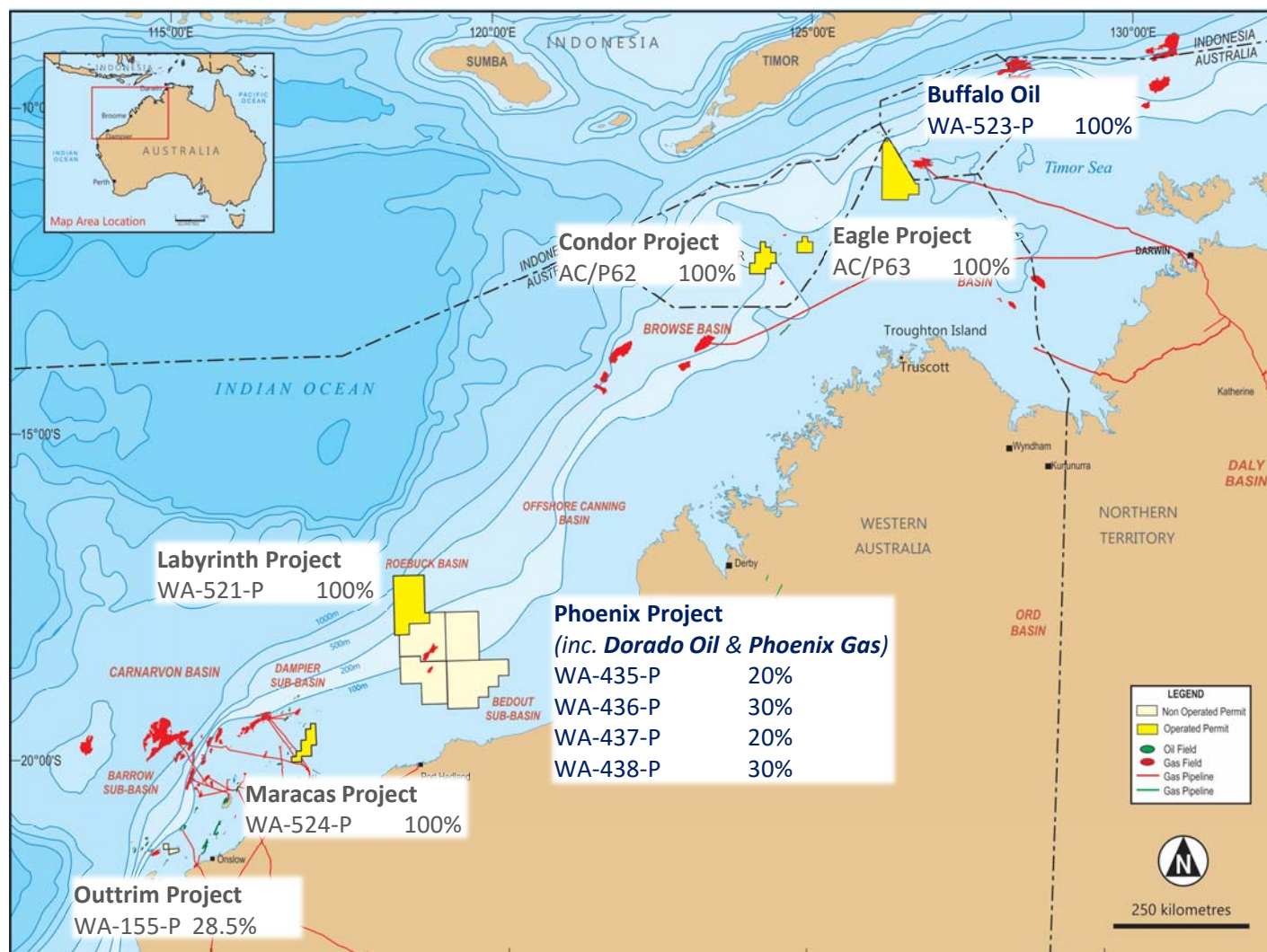
PHOENIX GAS (20% Carnarvon)

- Potential medium-term **gas & condensate development**
- Strategically located within close proximity to existing infrastructure and in shallow water
- High liquids component markedly improves commerciality

EXPLORATION

- Dorado well success increases the probability of **follow up discoveries** in this area
- Exploration has yielded three potential development projects in four years at low cost to Carnarvon
- Farm-out discussions progressing on other North West Shelf assets

Carnarvon's large portfolio is located across the North West Shelf in **proven oil and gas fairways**.



The Dorado discovery is the **break through discovery** for Carnarvon.

- Drilling of Dorado-1 completed in August 2018
- Volumetric results estimate 2C gross contingent resource of 283 MMboe, including **171 MMbbl of light oil**
- Total hydrocarbon net pay of 132 metres
- Santos validates the project through their proposed acquisition of Quadrant Energy
- Planning commenced for future drilling programs

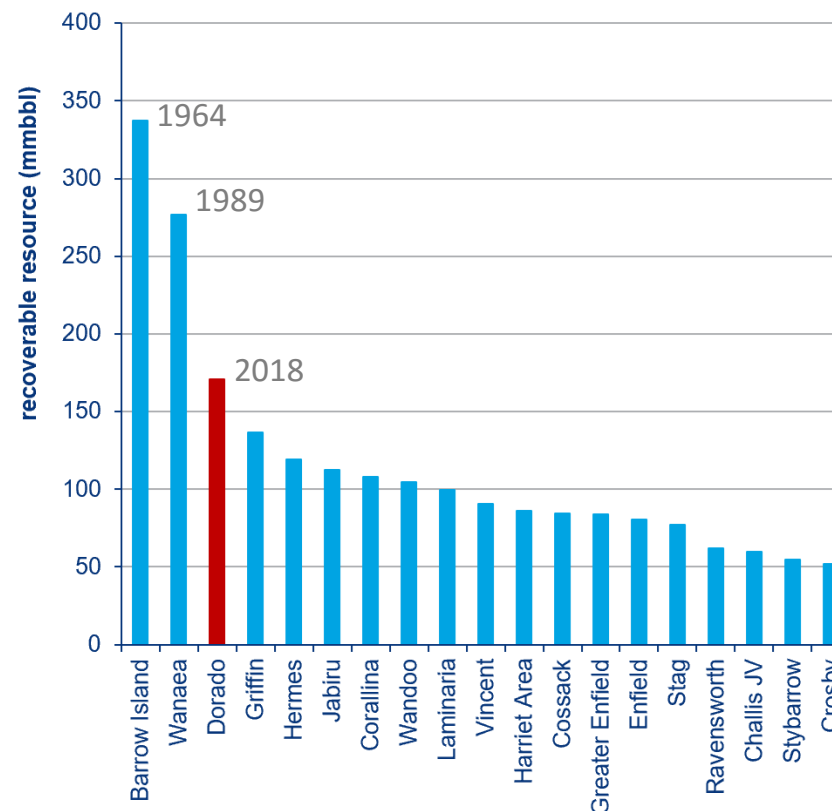
Gross Contingent Resources		1C	2C	3C
Oil	MMbbl	82	171	320
Condensate	MMbbl	6	16	36
Gas	BCF	229	552	1,197
Total oil equivalent	MMboe	128	283	566

Notes:

1. Carnarvon Petroleum Limited ASX reported volume. Includes 2C contingent oil resource only, and excludes gas and condensate.

Source: Wood Mackenzie's Upstream Data Tool.

Historical North West Shelf Oil Field Discoveries greater than 50 million barrels



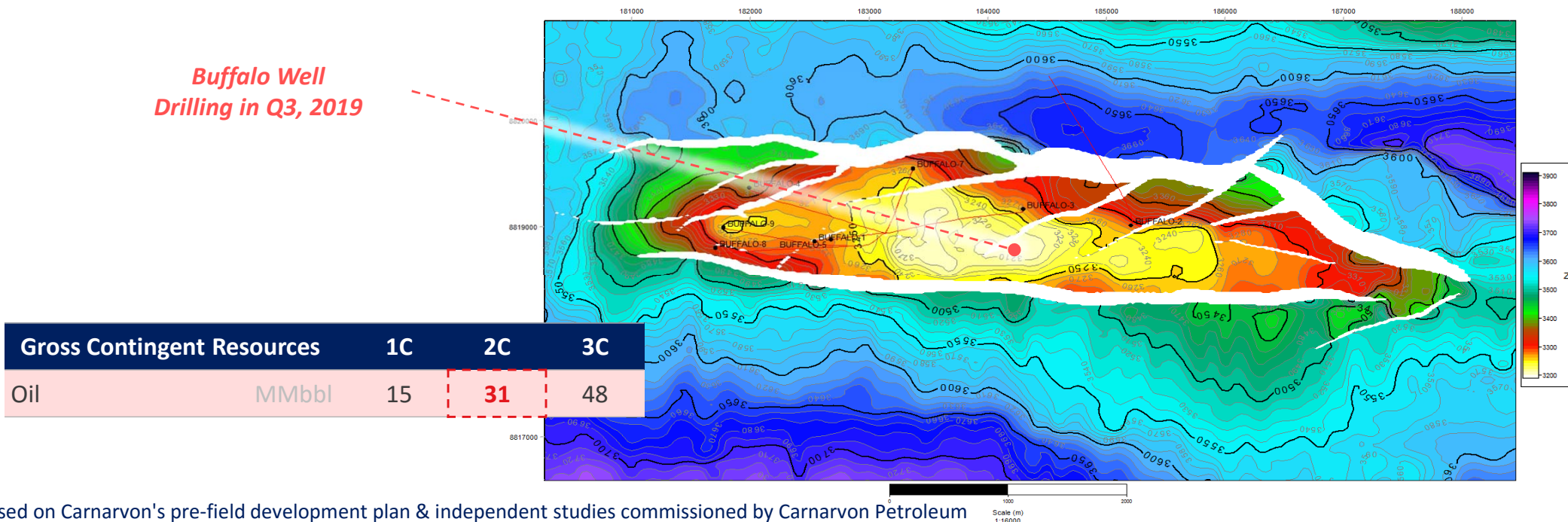
Source: Data from Wood Mackenzie's Upstream Data Tool

100% owned low risk oil field re-development project.

- Gross 2C light oil contingent resource of **31 MMbbls** (independently reviewed by RISC)
- Low risk and low cost development plan
- Development cost of ~US\$150m predominately or entirely funded by Carnarvon¹
- Operating costs of ~US\$80 – 100m p.a. based on a 5-year initial production life¹
- Production Sharing Contract (PSC) negotiations progressing with the Australian & Timor-Leste Government

Buffalo Development Field

*Buffalo Well
Drilling in Q3, 2019*



¹Based on Carnarvon's pre-field development plan & independent studies commissioned by Carnarvon Petroleum

Significant volume potential, **dual income stream (gas and condensate)** and shallow water location.

Net Contingent Resources (2C) ¹	100% Basis		CVN's Share	
	Natural Gas (BCF)	Condensate (MMbbl)	Natural Gas (BCF)	Condensate (MMbbl)
Roc	332	20	66	4
Dorado	552	16	110	3
Phoenix Project	884	36	176	7

Carnarvon's Roc-2 Appraisal Well Testing in 2016/17



- Located in the Bedout sub-basin ~150km offshore from Port Headland
- Close proximity to major infrastructure and in shallow water of around 100 metres
- Any potential development is likely to include all gas and condensate within tie-back distance (including gas and condensate from Dorado)
- Economic resource discovered at Roc and evaluation ongoing to assess the Phoenix South-3 commerciality (resource update pending)
- Dual income stream asset:
 - Gas revenue stream to domestic, export or diesel replacement in mining
 - Liquids revenue stream to Asian market

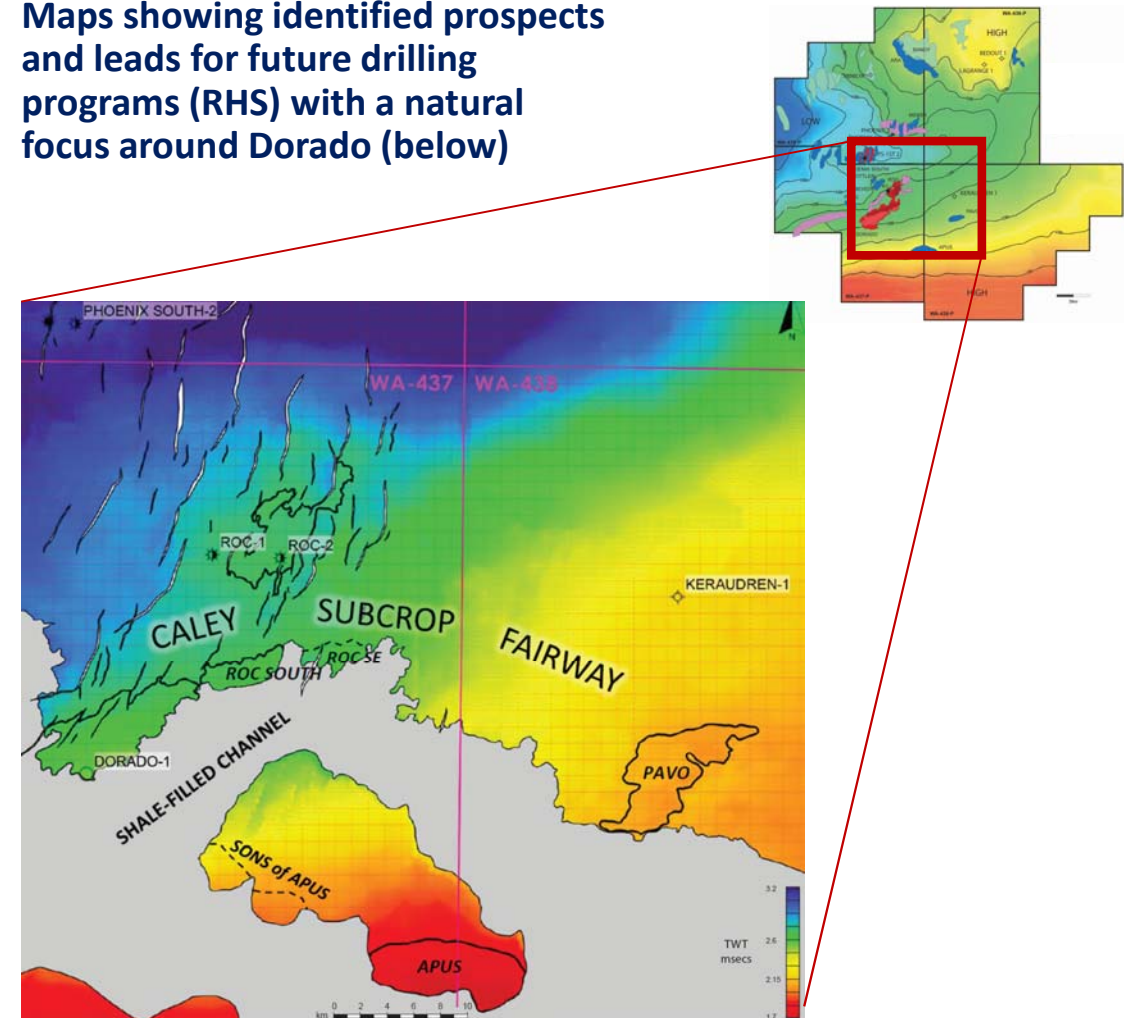
Notes:

1. Excludes gross 2C light oil contingent resources for Phoenix (7 MMbbl), Phoenix-South (17 MMbbl) and Dorado excludes light oil contingent resources (171 MMbbl).

The Dorado discovery high grades a number of **significant prospects with further oil potential**.

- A number of prospects and leads have been identified that have similar characteristics to the successful Dorado structure
- These prospects and leads also have the potential to contain oil, gas and condensate resources like Dorado
- The key targets currently include Roc South, Pavo, Apus, “Sons of Apus” and Roc SE
- Evaluation is ongoing to identify other prospects and leads in the area close to Dorado
- The joint venture currently has a broad range of high graded prospects to choose from in terms of future drilling programs

Maps showing identified prospects and leads for future drilling programs (RHS) with a natural focus around Dorado (below)



CVN utilises its **strong inhouse technical capabilities** to access high growth opportunities.

LABYRINTH (100% Carnarvon)

- **Very large oil prospects** with the project in the process of being farmed out
- Located in the Rowley Sub-basin in the North West Shelf (WA-521-P)
- Seeking new 3D seismic over the primary prospect followed by an exploration well

CONDOR & EAGLE (100% Carnarvon)

- Targeting **multiple oil prospects** around the current Montara oil field
- Located in the Vulcan Sub-basin in the North West Shelf (AC/P62 & AC/P63)
- Carnarvon is aiming to be ready to commence farm out discussions by mid 2019

OUTTRIM (28.5% Carnarvon)

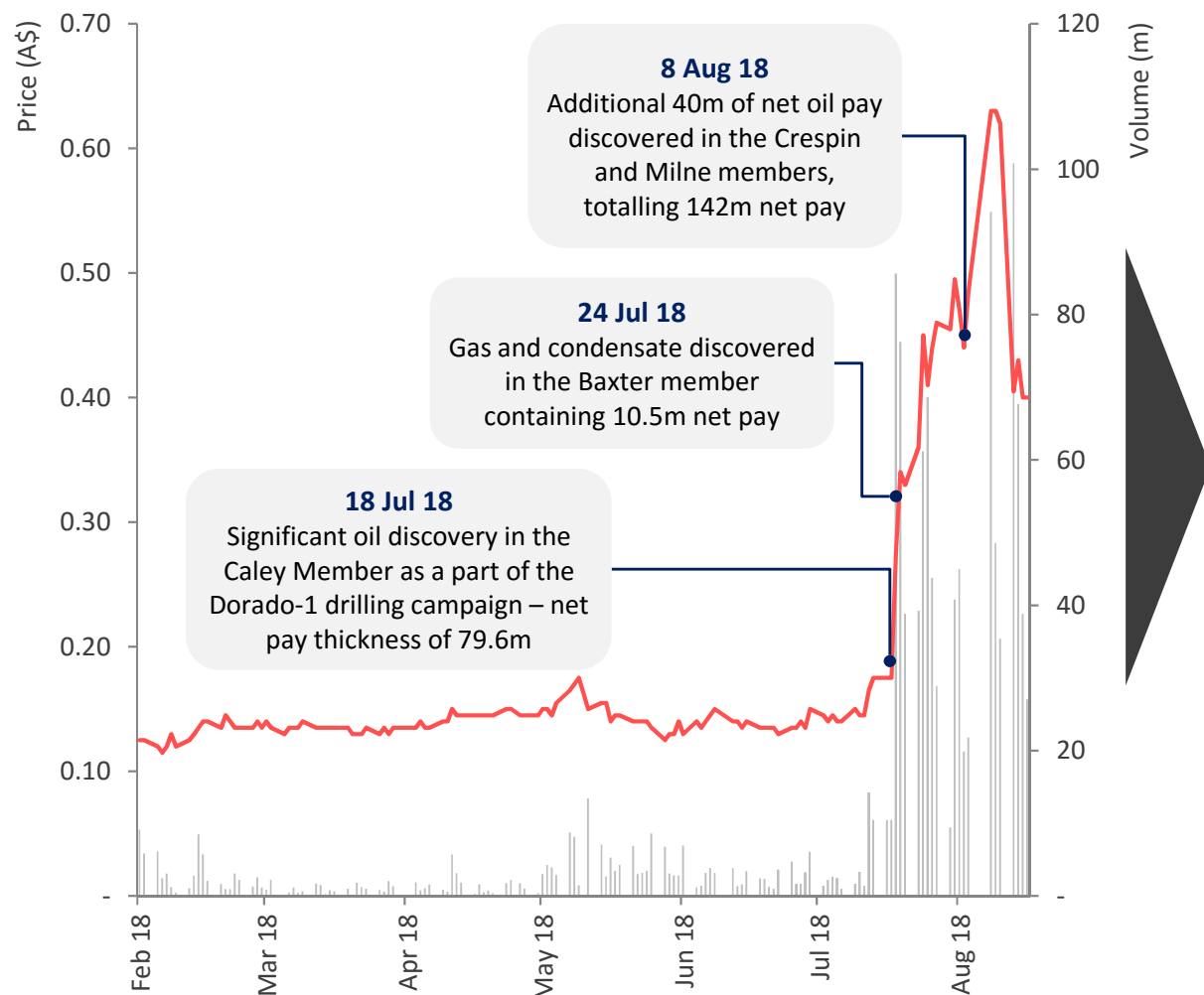
- Predominantly a **gas asset** on trend with the Woodside Swell-1 gas discovery, with small volumes of oil
- Located in the Exmouth Sub-basin in the North West Shelf (WA-155-P), held in joint venture with Quadrant
- CVN is assessing the merits of the Outtrim project having regard to its other development projects

MARACAS (100% Carnarvon)

- Predominantly an **oil asset flanking the Wandoo and Stag oil fields**
- Located in the Carnarvon Basin in the North West Shelf (WA-524-P)
- Technical work under way to ascertain the technical merits of the identified play type

There are a number of **upcoming share price catalysts** over the next 12-18 months.

Share Price Performance (6 months)



Source: Bloomberg as at 16 Aug 18.

Upcoming Catalysts

- Dorado play type prospects & volumes
- Plans for drilling Dorado appraisal and “look-alike” target wells
- Buffalo PSC negotiations
- Buffalo well
- Buffalo development plan
- Farm-out discussions
 - Focusing on Labyrinth, Condor and Outtrim
- Dorado development plan
- Possible S&P ASX 200 index inclusion

OIL & GAS VOLUME SUMMARY (CONTINGENT RESOURCES)



Gross Contingent Resources (100% basis)

	Light Oil			Natural Gas			Condensate			Barrels of Oil Equivalent		
	MMbbl			BCF			MMbbl			MMboe		
	1C	2C	3C	1C	2C	3C	1C	2C	3C	1C	2C	3C
Dorado	82	171	320	229	552	1,197	6	16	36	128	283	566
Roc	-	-	-	205	332	580	12	20	35	48	78	137
Phoenix South	7	17	30	-	-	-	-	-	-	7	17	30
Phoenix	2	7	16	-	-	-	-	-	-	2	7	16
Phoenix Project Sub-Total	91	195	366	434	884	1,777	18	36	71	185	385	748
Buffalo	15	31	48	-	-	-	-	-	-	15	31	48

Net Contingent Resources (CVN's share)

	Light Oil			Natural Gas			Condensate			Barrels of Oil Equivalent		
	MMbbl			BCF			MMbbl			MMboe		
	1C	2C	3C	1C	2C	3C	1C	2C	3C	1C	2C	3C
Dorado	17	34	64	46	110	240	1	3	7	26	57	113
Roc	-	-	-	41	66	116	2	4	7	10	16	27
Phoenix South	1	3	6	-	-	-	-	-	-	1	3	6
Phoenix	0	1	3	-	-	-	-	-	-	0	1	3
Phoenix Project Sub-Total	19	39	73	87	176	356	3	7	14	37	77	149
Buffalo	15	31	48	-	-	-	-	-	-	15	31	48
Total	34	70	121	87	176	356	3	7	14	52	108	197

CORPORATE SNAPSHOT AND EXECUTIVE MANAGEMENT



Carnarvon has a **market capitalisation of ~A\$500m** backed by an experienced management team with extensive in-house technical capability, led by Managing Director Adrian Cook.

Ordinary shares on issue ¹	m	1,190
Share price as at 17 Aug 18	A\$/sh	0.42
Market capitalization	A\$m	500
Debt (as at 30 Jun 18)	A\$m	-
Cash (as at 30 Jun 18) ²	A\$m	(64)
Diluted enterprise value	A\$m	436

Share Price Performance (12 months)



Notes:

- Does not include 3.075m of Employment Share Plan (ESP) shares.
- Includes \$0.2m from proceeds from ITM options.

Source: Bloomberg as at 16 Aug 18.



Adrian Cook
*Managing
Director &
CEO*

- 25+ years experience in finance, primarily in the petroleum industry
- Former Managing Director of ASX Listed O&G explorer, Buru Energy Limited and Fellow of the Australian Institute of Company Directors



Philip Huizenga
*Chief
Operating
Officer*

- 20+ years experience in O&G industry as petroleum engineer
- Member of: Society of Petroleum Engineers, Industry Advisory Council to the Dept of Petroleum Engineering at Curtin University



Thomson Naude
*Chief Financial
Officer &
Company
Secretary*

- Chartered Accountant with 10+ years experience in financial management
- Experience in commercial transactions including the divestment of Carnarvon's Thailand production assets



Dr Stephen Molyneux
*Exploration
Manager*

- PhD in Geology and Geophysics from Imperial College London
- 20+ years of experience in O&G exploration, discovered over 5 billion barrels of recoverable oil

UNIQUE

Carnarvon offers a unique exposure to Australia's most exciting exploration plays

DISCOVERED

Carnarvon has interests in discovered resources of 108 million barrels of oil equivalent including 65 million barrels of high-quality light oil

INTERESTS

Carnarvon holds strategic working interests in all assets, is active across its entire portfolio and has the flexibility to farm down positions

FUNDING

Carnarvon is confident of its ability to fund its significant growth potential

CATALYSTS

Carnarvon contains multiple share-price catalysts over the next 12-18 months

CORPORATE PRESENTATION

INVESTOR INQUIRIES:

Thomson Naude

Company Secretary

Phone: (08) 9321 2665

Email: investor.relations@cvn.com.au

MEDIA INQUIRIES:

Luke Derbyshire

Managing Director, Spoke Corporate

Phone: 0413 809 404

Email: Luke@spokecorporate.com

THINK DIFFERENT

ACT DIFFERENT