

# CEO Newsletter

17 February 2019



Dear fellow shareholders,

Last week we reported, hopefully fairly predictably, that the new Keraudren 3D seismic data (being the preliminary data set) had been received on time and importantly with better clarity on the main reservoir horizons compared to previous datasets. It will take a little while for our team and the Santos team to assess the data and subsequent processing iterations. I would expect that by mid year we will be getting a good sense for the appeal of the main exploration prospects within the new data area. The two key targets before the data was acquired were Pavo and Apus. But as we saw with the emergence of Dorado as a target back in 2016, we should be ready for there to be more and or different targets within the new data area to consider for our next round of exploration.

I have been asked about our reference in the last ASX announcement to the new seismic data requiring additional processing. Seismic data is generally subjected to a multitude of processing and special applications over its life. In the case of our new data, an initial processing “run” was undertaken to enable the Carnarvon and Santos teams to commence their interpretations for exploration purposes. More comprehensive processing is important for the Dorado field development planning. But in reality, we will be receiving a number of versions of the data throughout the year with various degrees of processing applied. Each iteration of processing is done to enable the teams of geoscientists to better understand different aspects of the acreage, such as to identify broad exploration plays, specific exploration targets or locations for development wells. Our database is able to incorporate these and meld them with the work done to provide ever improving interpretations of the key reservoir intervals. While it sounds relatively simple, seismic processing is highly complex and computationally intense and will require a lot of hard work from the Carnarvon and Santos teams.

I have also been asked about when our next exploration drilling program is likely to commence. As Santos indicated in early December 2019, and subject to the usual caveats such as approvals and rig availability, we would be thinking that drilling would commence after the next cyclone season ends, namely around April 2021, a little over a year away. We’ll provide more colour around this timing and target details over the course of this year.

Besides further exploration drilling near Dorado, the Dorado field planning also continues at quite some pace. The development feasibility studies have been completed and the Concept Select phase is expected to be completed soon. The Concept Select material is central to the FEED (or Front End Engineering and Design) work which will define the detail on infrastructure and facilities needed to deliver the optimal production within appropriate cost and risk parameters and enable development contracts to be awarded. All of this work will take some time and I would expect it will extend into early 2021. This is a crucial phase of the development project, and to use the carpenter’s analogy, we’re better served to measure twice and cut once.

A number of shareholders have asked me about the Dorado flow rates and capital investment numbers quoted in the Santos Investor Day presentation on 3 December 2019. I would stress that these were preliminary figures pending output of the FEED work which is yet to start. I highlight that on the Santos slides they point out that the capital figures will be impacted by contracting decisions on the FPSO, particularly whether a new FPSO is leased or owned or whether an existing FPSO is leased. So, for the moment we will let the FEED process run its course and form our plans around the outcomes of the FEED work later this year.

In January we welcomed Mark Robertson to our team. Mark brings a wealth of experience in North-West Shelf construction and production operations and will be helping with the oversight of the Dorado work being led by the operator, Santos, and the work we're progressing on Buffalo.

Which leads me neatly to Buffalo. As I'm sure you're aware we very much like the Buffalo oil field redevelopment project. However, because we wish to prioritise our capital towards the Dorado development, we continue to test the market for interest in a partner joining us. It has been quite a long process to be frank. But it's also a good asset and one that, in my opinion, we should be patient with in order to attract a good partner on fair terms. I clearly can't provide "market sensitive" updates in this forum but I can reiterate that Phil Huizenga and Thomson Naude, as well as the technical team at Carnarvon, continue to actively present the opportunity and progress the process for our benefit.

In December, Andy Padman retired after a long and distinguished career in the industry. Andy has been with us for about eight years and was the leader responsible for bringing in the Buffalo project and using new seismic technology to unlock the redevelopment opportunity. While we'll miss Andy's daily presence in the office, he has agreed to support our technical team members and has in fact been in the office recently ensuring the new Dorado 3D data is loaded into our data base and set up for interpretation correctly.

In terms of our exploration permit farm out efforts, it's fair to say that the market has been very challenging industry wide. We saw a flicker of uptick in the permit adjoining our Dorado block with Santos and BP bidding very strongly and hopefully this is an indication of an improving market. But in the meantime, Jeff Goodall continues to work hard to present the really interesting opportunities that we secured mostly through the oil price downturn around 2016. However, to be successful, the farm out model requires the sector sentiment (driven mostly by varying oil prices) to afford us the time to secure good permits on low commitments (namely holding costs) and then present them to prospective partners seeking new growth opportunities in better industry conditions. When the model works it produces significant value to all participants – as we have seen with the Dorado discovery. But we remain ever patient for the right conditions.

We have had some challenges with making broker reports available on our website with legal and ASX considerations to deal with. Many of you have picked up that our website now simply lists the firms that produce reports on Carnarvon so that you can contact them directly. In this vein, and for your information, Canaccord, Euroz, Hartleys, JP Morgan and Macquarie have all issued updated reports on Carnarvon this year.

Finally, I will be presenting at the Proactive CEO Series in Sydney on 23 March and Melbourne on 24 March. For our shareholders in those cities, if you are available and interested in attending please reach out to the organiser, John Phillips on (02) 9280 0700 to register your spot as the rooms typically fill to capacity for these events. Or alternatively and more efficiently, use their web registrations platform to secure your spot:

SYDNEY: [https://www.proactiveinvestors.com.au/register/event\\_details/241](https://www.proactiveinvestors.com.au/register/event_details/241)

MELBOURNE: [https://www.proactiveinvestors.com.au/register/event\\_details/242](https://www.proactiveinvestors.com.au/register/event_details/242)

Having already commenced the year with intensive work on the Keraudren 3D seismic, I look forward to updating you further over the course of what I expect will be a busy year within the business.

Regards



Adrian