

Shareholder update

16 March 2020



- **Dorado development work progressing with the focus on starting FEED as planned**
- **New seismic data interpretations over Dorado and nearby prospects are showing positive results**
- **Carnarvon's strong cash balance will comfortably cover all 2020 expenditure and beyond**

Dear shareholders,

We have witnessed a dramatic global response to the spread of the COVID-19 virus and to the fall in oil prices. Both events and their immediate consequences are serious matters and your Board and management have undertaken a series of actions to mitigate their impact on the business.

In relation to the virus issue, Carnarvon staff are actively avoiding potential virus bearing situations and key management personnel are rotating in teams between working from home and the office to ensure the business operates seamlessly should the virus enter the business.

Carnarvon's strategy has intentionally targeted projects that have the potential to produce in low cost environments and thereby absorb extreme economic events such as we're experiencing at present.

The sheer size and nature of the Dorado field means that it is a strong and robust project which is expected to produce at globally competitive capital and operating costs per barrel.

On the Dorado field work, the Carnarvon team is working closely with the operator on a variety of components that are required to formerly enter the Front End Engineering and Design ("FEED") phase. At this time there is nothing preventing the commencement of FEED nor its ongoing work throughout this and next year. This is a priority for Carnarvon and the recent global events have not affected this position.

The exploration prospects around Dorado, such as Pavo and Apus, are looking attractive on the new Keraduren 3D seismic data. There are also new prospects showing up on the 3D seismic data, which we look forward to maturing for presentation to shareholders in due course.

Carnarvon is of the view that the current spot prices for oil do not represent longer term prices expected to be realised in 'normal' market conditions. The Company has considered this situation carefully, particularly having regard to when the business expects first production from Dorado, and is confident that it makes sense to proceed with the businesses' plans unchanged.

Carnarvon's Managing Director and Chief Executive Officer, Adrian Cook said:

"We have a very strong suite of assets and opportunities in our business, most particularly in and around the Dorado field.

We have experienced market volatility in the past, such as with oil prices falling in 2015. During those times we also carefully assessed the situation and felt confident to remain active, working through the uncertainty and volatility that was present at the time.

Taking this considered approach put the Company in an incredibly strong position that resulted in the discovery of the Dorado field in 2018.

We have once again taken the time to carefully assess market conditions. Our strong conviction is that the COVID-19 virus issue and low oil prices will be resolved in time. We are of the view that the most appropriate course of action at the current time is to continue to focus on the delivery of our plans, and that includes supporting the operator in advancing the Dorado development.

Importantly, through careful management, we are in a position to proceed with our plans because of the very strong financial position of the Company.

At 31 December 2019 we reported cash of \$119 million. Since this time, we have been very prudent with our outlays and we will have more than enough financial resources available to cover our 2020 expenditure. Based on our current forecasts, we will also have more than enough to reach the Final Investment Decision for the Dorado liquids development.”

Approved by



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