

# BUILDING ON DORADO SUCCESS

ASX:CVN



## Managing Director's Comments

### QUARTER HIGHLIGHTS

- **Dorado development planning and preparation work progressing as planned.**
- **Interpretation of the newly acquired Keraudren 3D seismic underway.**
- **Strong cash balance of A\$118 million to comfortably fund 2020 expenditure and beyond.**

During the quarter we have witnessed significant global consequences from the Covid-19 pandemic, with direct and secondary impacts occurring within our industry.

Maintaining Carnarvon's prudent financial position has always been at the forefront of the Company's strategy and has ensured that the business is in a robust position to withstand these current market conditions. Carnarvon preserved its strong cash balance this period, with A\$118 million as at the end of the quarter. This means the Company is in a very good position to cover its 2020 expenditure and beyond.

Throughout the quarter, Carnarvon and its Joint Venture Partner continued to advance the Dorado development. The work being undertaken is focused on preparations to commence the Front End Engineering Design ("FEED") phase.

The sheer size and nature of the Dorado field and expected recovery in the longer term oil prices means that it is a strong and robust project, capable of producing at globally competitive capital and operating costs.

On this basis, the Carnarvon team will continue working very closely with the operator to progress the Dorado development and I look forward to providing continued updates as we achieve key milestones.

Moving onto the Buffalo Project, Carnarvon has continued with its farmout process and is working with potential partners interested in joining Carnarvon in the project and assisting with its future funding.

In parallel with the farmout process work, Carnarvon has been establishing operations in Timor Leste and developing its operational readiness.

Buffalo is an important asset to Carnarvon and despite the farmout process taking longer than anticipated, it remains our focus to attract a quality partner on fair terms.

During the quarter the Company responded quickly to the COVID-19 pandemic to protect its staff, ensure reasonably smooth on-going business operations and to reduce non essential costs. The Company will continue to monitor global and industry conditions and will make appropriate changes as circumstances dictate.

## Dorado Appraisal

(Carnarvon 20%; Santos is the Operator)

The Joint Venture has maintained its focus on the Dorado field planning work which was considerably progressed throughout the quarter. Importantly, there has been minimal interruption to these workflows which have been broadly to plan timing wise.

The development feasibility studies have been completed and the Concept Select phase is expected to be completed soon. Expressions of Interest have been received from FPSO contractors and the Joint Venture has been working closely with various parties to advance the engineering and pre-FEED work streams.

The Carnarvon team is working closely with the operator on the FPSO planning and a variety of other components that are required to formally enter the FEED phase. This work will ensure that the Joint Venture has the appropriate detail on infrastructure and facilities which is required to deliver the optimal production within the appropriate cost and risk parameters and enable development contracts to be awarded. This also includes decisions on the number and configuration of wells required in the field and in relation to the Floating Production Storage and Offtake ("FPSO") vessel's design and contracting arrangements.

## Bedout Exploration

(Carnarvon 20%-30%; Santos is the Operator)

Carnarvon has recently received the fast track data from the Keraudren 3D seismic survey which was acquired in 2019. The data quality has been a marked improvement on the previous Capreolus 3D data.



Noble Tom Prosser Drilling Rig during the Caley well test

Carnarvon has commenced its interpretation of the data which will be integral for better defining the development of Dorado and establishing high quality exploration drilling targets in the survey area.

The Keraudren 3D data was acquired using a new seismic methodology designed to enhance the quality of the data over the four targeted reservoir intervals discovered and appraised in the three Dorado wells drilled in 2018 and 2019. In the near term, the new seismic will support the Dorado FEED subsurface work by assisting with the positioning and configuration of wells for future production operations.

The new data acquisition also covered a number of previously identified near field exploration prospects and leads. The two standout prospects are Pavo and Apus which were significantly de-risked following the Dorado discovery, appraisal and flow tests.

The initial planning towards drilling additional exploration prospects, which are being refined by the Keraudren 3D, has continued. However, commitment to drilling these wells will be dependent on improving market conditions.

As previously indicated, the additional seismic acquisition programs which were planned for the 2020 calendar year will be deferred until market conditions improve and vessel logistics are not constrained by current health issues.

## Buffalo Project - Timor-Leste

(Carnarvon 100% and operator)

During the quarter, Carnarvon continued planning the redevelopment of the Buffalo oil field.

This included advancing the Company's operational readiness and ensuring Carnarvon (or an incoming operating partner) has the appropriate systems required for the development, drilling and production of Buffalo.

Carnarvon has also established its operations in Dili, the capital of Timor-Leste as required under the Production Sharing Agreement.

During the quarter, Carnarvon commenced additional geological and geophysical studies within the

PSC area. The objective of this work is to de-risk other exploration targets in addition to Buffalo oil field.

As part of these workflows, Carnarvon has initiated a geochemical study to de-risk new Triassic targets and to gain better information on source rock potential. Carnarvon also commenced an evaluation of the well data surrounding the PSC area to identify additional follow-up exploration prospectivity for the Buffalo project.

Carnarvon continued its farmout process for this project during the quarter. The introduction of a partner will be relevant in Carnarvon's funding strategy as the Company moves towards the development of both the Dorado and Buffalo fields.

### **Condor & Eagle Projects – AC/P62 & AC/P63**

(Carnarvon 100% and operator)

During the quarter, Carnarvon continued its technical work on the Condor and Eagle projects which are located in the proven Vulcan Sub-basin (within the Bonaparte Basin).

Carnarvon's work in the Vulcan Sub-basin has been greatly enhanced by the utilisation of the high-quality Cygnus 3D survey which was completed by Polarcus in 2018. A third phase of this Cygnus data will be available later in the year. Importantly, this new data will cover a 317km<sup>2</sup> region of the Condor permit which has historically only been covered by 2D seismic.

The technical work on the 2D seismic data so far has shown the possibilities for Cretaceous, Jurassic, Triassic and Permian fault blocks in this area which the new 3D seismic

will illuminate. At these levels there is also great potential for these targets to be oil charged.

To date the most significant target in the area covered by the new Cygnus data is the Moa prospect. Moa is a new late Permian carbonate reef oil prospect of 132 km<sup>2</sup> and is associated with at least four other leads.

Within the Eagle project, the standout target is the Toucan prospect in the Jurassic Plover formation. The Jurassic reservoir is well tested along the North West Shelf of Australia and typically features very good porosities and permeabilities within the Vulcan Sub-basin where the Eagle project is located.

The Toucan structure is analogous to or bigger than existing oil fields along the same trend and in close proximity which provides an exciting exploration opportunity, de-risked by existing discoveries. Carnarvon has also identified additional Jurassic oil plays within the Eagle Project permit which are similar to the nearby Audacious and Tenacious oil fields. With seismic interpretation possibly identifying petroleum indicators, Carnarvon intends to continue its work to refine the potential of these Jurassic plays.

The Condor and Eagle projects cover an area of 2,100 km<sup>2</sup> in the world class oil and gas Vulcan Sub-basin featuring the Montara, Jabiru, Skua and Challis oil fields. The basin is currently experiencing a renaissance which is being driven by new 3D seismic data.

Carnarvon is currently seeking expressions of interest from potential partners to further these exciting projects.

### **Labyrinth Project – WA-521-P**

(Carnarvon 100% and operator)

Towards the end of the quarter, Carnarvon submitted a number of applications to the regulator regarding the WA-521-P permit.

Carnarvon has sought to vary the work program and defer the commitment to acquire additional seismic in order to bring forward proposed geological studies within the permit. If not approved, Carnarvon will be assessing its position with regard to its interest in the permit.

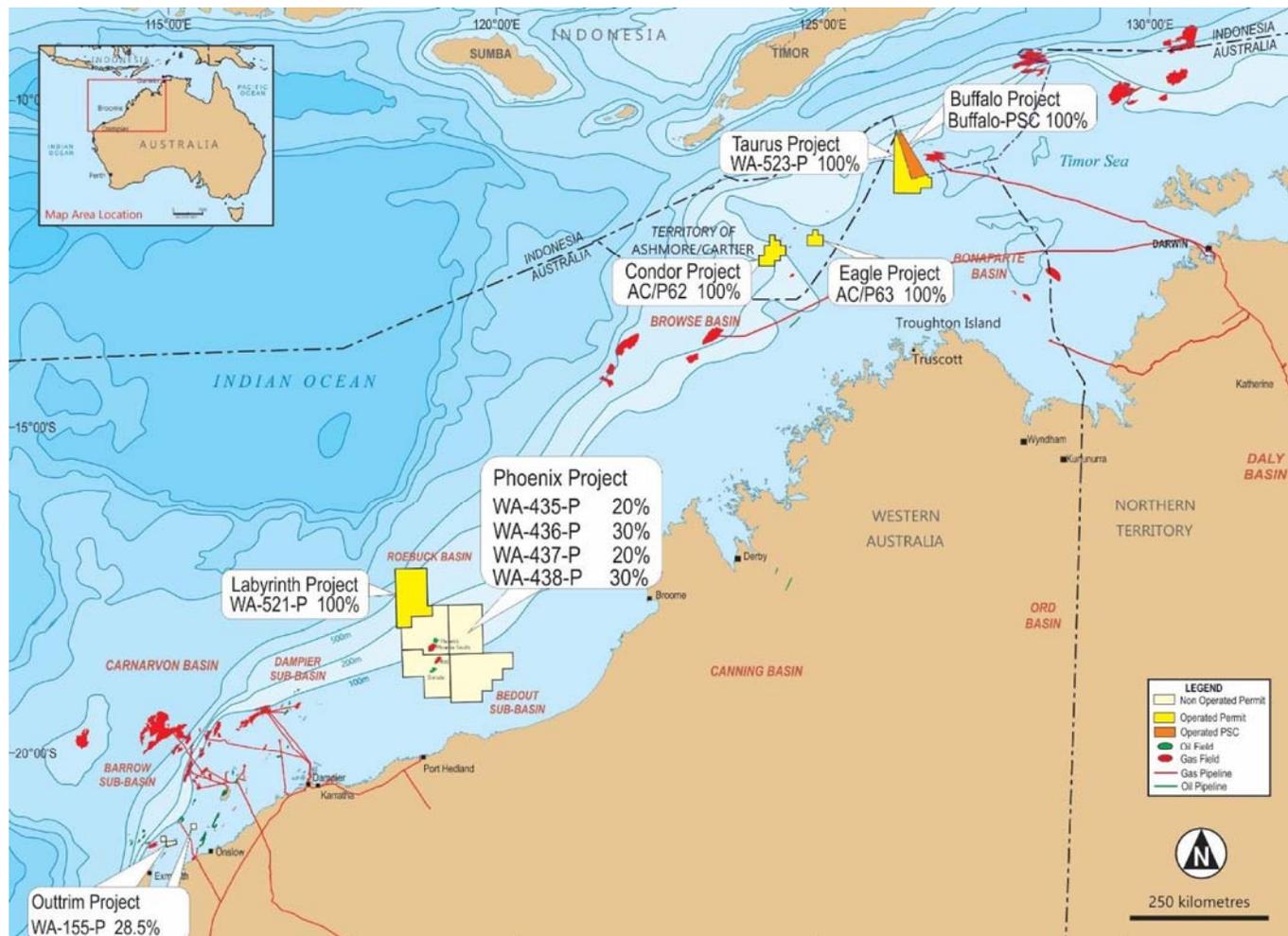
The focus of the proposed geological studies is to analyse the interpretive well reports which have recently become available for the nearby Anhalt-1 and Hannover South-1 wells. The analysis from the well reports could potentially upgrade and de-risk the presence of source rock for the Labyrinth targets.

The standout target which has been identified is the Ivory prospect which targets dual reservoirs and can be tested with one well. The first target is the Mid-Jurassic Lower Depuch Formation which is proven to be an excellent quality reservoir. The secondary target is in the early Jurassic Upper Bedout Formation which also has the potential to have excellent reservoir quality as encountered in the sands in the Roc-2 well at this depth.

## Financial Analysis of selected items within Appendix 5B

Appendix 5B reference	ASX description reference	Carnarvon commentary
1.2 (a)	Exploration and evaluation costs expensed	These costs pertain to work undertaken on projects that are not applicable to an owned permit interest or a permit interest where the permit has been relinquished during the quarter. Typically, these costs relate to regional geological assessments undertaken by Carnarvon's technical team.
1.2 (e)	Administration and corporate costs	This item includes costs for and associated with operating the Company's office, ASX listing fees, insurances, software licences, making corporate presentations and travel.
1.4	Interest received	Carnarvon holds a significant portion of its cash in term deposits which generate interest income during the year. Interest is recorded in Appendix 5B when received, namely when term deposits mature. Accordingly, the amount varies each quarter based on the interest rate, the amount on term deposit and the timing of the maturity of the term deposits.
2.1 (d)	Exploration and evaluation costs capitalised	<p>During the quarter, Carnarvon spent A\$3.1 million on exploration and evaluation activities primarily related to:</p> <ul style="list-style-type: none"> <li>• Dorado field planning work;</li> <li>• processing and interpretation of the Keraudren 3D seismic survey, which was acquired in 2019;</li> <li>• progressing the Company's operated exploration projects.</li> </ul> <p>For the financial year to date, the Company has invested A\$33.7 million. The bulk of these costs relate to drilling the Dorado-2 and Dorado-3 appraisal wells, the Roc South-1 exploration well and the processing and interpretation of the Keraudren 3D seismic survey.</p>
3.3	Proceeds from exercise of options / ESP	Carnarvon has an employee share plan ("ESP") which is approved by shareholders. During the quarter a staff member paid the Company to retire an outstanding loan on their vested employee shares. That payment is reflected as cash received by the Company.
4.5	Effect of movement in exchange rates	<p>A significant weakening of the average Australian Dollar relative to the US dollar during the quarter resulted in a foreign exchange translation adjustment that increased the Company's reportable cash holdings by A\$2.6 million.</p> <p>The Company's United States Dollar ("USD") holdings at the end of the quarter were US\$10.8 million and its Australian Dollar ("AUD") holdings were A\$100.6 million. Carnarvon holds a balance between USD and AUD as a natural hedge to committed future expenditures denominated in both USD and AUD. The retention of US dollars influences Carnarvon's reported cash holdings due to AUD / USD exchange rates at each reporting period end.</p>
6.1	Aggregate amount of payments to related parties and their associates	These costs pertain to payments to Directors, most particularly remuneration for the Managing Director and fees for the Company's Non Executive Directors.
8.0	Future operating activities	For the upcoming quarter, the Company has forecasted A\$1.5-\$1.7 million in costs relating to interpretation and processing of the Keraudren 3D seismic, A\$1.4-\$1.6 million in Dorado pre-FEED expenditure and A\$0.7-\$0.9 million in corporate costs.

## Project Map



## Project Table

Project	Permit(s)	Operator	Interest held	Interest acquired Q/Q
Phoenix	WA-435-P	Santos	20%	-
Phoenix	WA-436-P	Santos	30%	-
Phoenix	WA-437-P	Santos	20%	-
Phoenix	WA-438-P	Santos	30%	-
Buffalo	TL-SO-T 19-14	Carnarvon Petroleum	100%	-
Taurus	WA-523-P	Carnarvon Petroleum	100%	-
Labyrinth	WA-521-P	Carnarvon Petroleum	100%	-
Condor	AC/P62	Carnarvon Petroleum	100%	-
Eagle	AC/P63	Carnarvon Petroleum	100%	-
Outtrim	WA-155-P	Skye Exploration Pty Ltd	28.5%	-

Acronym	Definition
Bopd	Barrels of oil per day
Bbls	Barrels of oil
CVN	Carnarvon Petroleum Limited
JV	Joint Venture
Km	Kilometres
Km <sup>2</sup>	Square kilometres
m	Millions
Qtr	Quarter
Q/Q	Quarter on Quarter
Tcf	Trillion cubic feet (gas)
2D	Two dimension seismic data
3D	Three dimensional seismic data
MC3D	Multi-client 3D – seismic data acquired for multiple parties that require licensing
USD	United States of America dollar

## Cautionary Statement

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.

Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project and may relate to undiscovered accumulations. 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.

## Resources

All contingent and prospective resources presented in this report are prepared as at 7 February 2018, 23 April 2018, 15 October 2018 and 30 June 2019 (Reference: CVN ASX releases of at 7 February 2018, 23 April 2018, 15 October 2018, 15 July 2019 and 27 August 2019). 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 and have been prepared using probabilistic methods.

Carnarvon is not aware of any new information or data that materially affects the information included in this report and that all material assumptions and technical parameters underpinning the estimates in this presentation continue to apply and have not materially changed.

## Competent Person Statement Information

The Resource estimates outlined in this report were compiled 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.

## Forward Looking Statements

This document may contain forward-looking information. Forward-looking information is generally identifiable by the terminology used, such as "expect", "believe", "estimate", "should", "anticipate" and "potential" or other similar wording. Forward-looking information in this document includes, but is not limited to, references to: well drilling programs and drilling plans, estimates of reserves and potentially recoverable resources, and information on future production and project start-ups. By their very nature, the forward-looking statements contained in this news release require Carnarvon and its management to make assumptions that may not materialize or that may not be accurate. The forward-looking information contained in this news release is subject to known and unknown risks and uncertainties and other factors, which could cause actual results, expectations, achievements or performance to differ materially, including without limitation: imprecision of reserve estimates and estimates of recoverable quantities of oil, changes in project schedules, operating and reservoir performance, the effects of weather and climate change, the results of exploration and development drilling and related activities, demand for oil and gas, commercial negotiations, other technical and economic factors or revisions and other factors, many of which are beyond the control of Carnarvon. Although Carnarvon believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurances that the expectations of any forward-looking statements will prove to be correct.

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

CARNARVON PETROLEUM LIMITED

ABN

60 002 688 851

Quarter ended ("current quarter")

31 MARCH 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(135)	(530)
(b) development	-	-
(c) production	-	-
(d) staff costs	(410)	(1,985)
(e) administration and corporate costs	(412)	(2,260)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	411	1,032
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(546)</b>	<b>(3,743)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(8)	(41)
(d) exploration & evaluation (if capitalised)	(2,961)	(33,224)
(e) investments	-	-
(f) other non-current assets	-	-

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2,969)</b>	<b>(33,265)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	82,517
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options / ESP	14	64
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(3,944)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>14</b>	<b>78,637</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	119,119	73,852
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(546)	(3,743)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,969)	(33,265)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	14	78,637

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	2,611	2,748
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>118,229</b>	<b>118,229</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	15,391	15,285
5.2	Call deposits	102,838	103,834
5.3	Bank overdrafts	-	
5.4	Other (provide details)	-	
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>118,229</b>	<b>119,119</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

227

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. <b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(546)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(2,969)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(3,515)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	118,229
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	118,229
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	<b>33.6</b>

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: n/a

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: n/a

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 20 April 2020

Authorised by: By the Board  
(Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.