CARNARVON PETROLEUM LIMITED

ABN 60 002 688 851

AND ITS CONTROLLED ENTITIES

FINANCIAL REPORT

30 JUNE 2020

CORPORATE DIRECTORY

Directors

PJ Leonhardt (Chairman)
AC Cook (Managing Director)
WA Foster (Non-Executive Director & Lead Independent Director)
P Moore (Non-Executive Director)
SG Ryan (Non-Executive Director)

Company Secretary

T Naude
A Doering

Auditors

Ernst & Young

Bankers

Australia and New Zealand Banking Group Limited
Commonwealth Bank of Australia
National Australia Bank Limited
HSBC

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Share Registry

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Stock Exchange Listing

Carnarvon Petroleum Limited’s shares are quoted on the Australian Securities Exchange.

ASX Code: CVN - ordinary shares

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It gives me great pleasure to introduce the 2020 financial report for Carnarvon Petroleum Limited ("Carnarvon" or "Company"), my last as Chairman. I am extremely pleased that this year is a landmark year for the Company as it begins its transformation from junior explorer to producer.

Successful appraisal and subsequent flow tests have confirmed the significant Dorado resources and work to date has confirmed the high-quality nature of the project. Dorado is one of the most exciting new oil developments within the industry and with follow-up exploration prospects near Dorado being equally impressive, your Company is in an excellent position.

The appraisal results justified an intense work program towards the Front End Engineering and Design workflows for Dorado, which are expected to commence shortly. The field development concepts are well advanced, the project is rapidly taking shape and I look forward to reaching key milestones on the path to the Final Investment Decision. Fortunately, the robust economics emerging from this work have enabled the work plan to progress substantially as envisaged, notwithstanding the impact of the current uncertainties in energy markets.

I would like the thank our Joint Venture operator, Santos, for their efforts in ensuring the Dorado appraisal was completed safely and successfully and the rapid progress of the development. The quality of Dorado's operator is a key strength of the project and I know that our team very much appreciates the opportunity to work with them.

Following the ratification of the Maritime Boundary Treaty, in August 2019, between the governments of Australia and Timor-Leste, the Buffalo project will now continue under Timor-Leste's jurisdiction. The signing of a Production Sharing Contract between Carnarvon and the Timor-Leste regulator provides security and clarity for the Buffalo redevelopment. Our work to date with the Government has been very positive and I look forward to Carnarvon working closely with the people of Timor-Leste as we progress the project. Technical work on the project has been actively advanced while at the same time discussions with prospective farm-in partners continue.

As we expand our operations from successful explorer to include a partnership in a significant and exciting production project, it is important that we nurture the values that have guided our progress. Carnarvon is committed to providing appropriate returns to our shareholders while protecting the health and safety of our employees, safeguarding the environment and working positively with our partners and the communities we work in. As part of this process Carnarvon's inaugural sustainability report will be released later in the year to highlight the work we are currently undertaking in this area and our future planning as we progress towards production.

On behalf of the Board I would like to thank the Carnarvon team led by our Managing Director, Adrian Cook, for their outstanding work over the last 12 months to ensure that the Company's future remains bright. Maintaining the Company's strong financial position was of utmost importance at this time. This was achieved notwithstanding the disruptions resulting from COVID-19 and turmoil in global energy markets. The team's dedication and resilience to the challenges are much appreciated.

Adrian has been at the helm for almost 10 years of my time as Chairman and it has been a great pleasure working with him. I have also been fortunate to observe at close hand his achievements in building Carnarvon's reputation and his personal development into a highly regarded industry leader. Thank you, Adrian.

My decision to retire as Chairman of the Company at this year's Annual General Meeting was announced earlier in the year. I am confident that Carnarvon is well positioned for the development phase of Dorado and it is an opportune time to pass on the baton. We have been planning Board succession for some time now, and I can assure shareholders that Bill Foster, who is currently the Company's Lead Independent Director, is superbly qualified to lead our future growth particularly bringing the Dorado project to fruition.

I would like to thank all of my fellow directors who bring an excellent balance of experience and skills to the Company. Carnarvon is in very good hands as it moves towards its transformation into a significant producer and explorer.

Most importantly, I want to thank our shareholders for their continued support and involvement with the Company. I know we have a very loyal shareholder base and many of you have been with our team over many years on what has been an exciting journey. It has been an honour and a privilege to have led Carnarvon as its Chairman since 2005 and it brings me immense pride to reflect on Carnarvon's achievements over this time. I very much look forward to closely following the next chapter to Dorado's first oil as a fellow shareholder

Peter Leonhardt
Chairman.

The execution of Carnarvon's strategy is reflected in its tangible progress on the Dorado project which is now a highly valuable core asset of the business and a platform for future investment and growth.

Carnarvon has maintained a consistent strategy that seeks to identify high quality technically driven opportunities offshore Western Australia in a region referred to as the North West Shelf ("NWS"). The Dorado project is the result of a tenacious focus over many years to unlock a highly prospective new sub-basin on the NWS. The Company has a commanding position in this new sub-basin with attractive development and exploration opportunities before it.

The Dorado project has now been confirmed as a large oil and condensate rich resource and is rapidly maturing into a highly attractive development project. The Joint Venture has already agreed on a development concept which will focus on the production of the oil and condensate initially. The current work is focused on the engineering and design of the production facilities and on the determination of the cost to construct the field. This process will advance into the 2021 calendar year before, subject to market conditions, the Joint Venture making a decision to commence the construction phase.

The conventional nature of the field design, its location in shallow water and the scale of the resource are all factors that are expected to result in this being a low cost production asset on a global basis. This economic position is highly appealing for its downside protection in low oil price environments and, as is expected to be the case when on production, its high return on investment in a normal oil price environment.

The Dorado project's development concept is being designed to accommodate liquids production of around 100,000 barrels per day with the operator providing initial flow rate guidance of 75,000 to 100,000 barrels per day. These rates will result in Carnarvon being one of the larger ASX listed producers of oil and condensate given its 20% interest in the project. The capacity of the facilities will also provide scope for adding in any additional discoveries made nearby in the future. These "tie-back" resources can be highly valuable given they benefit from utilising existing production facilities.

The Dorado project resides within a sub-basin on the NWS over which Carnarvon has a commanding position. The results to date prove that this sub-basin contains substantial quantities of liquids rich resources. Multiple play types and the under explored nature of the region provides tremendous opportunity for there to be substantial additional resources awaiting discovery. Subject to market conditions, the Joint Venture is working toward drilling a number of the high graded exploration targets late in the 2021 calendar year. The primary focus for the next phase of exploration is within an area covered by new seismic data acquired in 2019. The area contains a number of large volume potential targets as well as smaller tie-back targets close to the proposed Dorado field.

The Dorado project and the opportunities within the Bedout sub-basin are clearly core assets and high value propositions for the business. However, the Company's strategy remains focused across the entire NWS and on advancing the Company's other permit interests. Conditions within the energy sector have been challenging and consequently have impacted on the progression of Carnarvon's other permits. But as has been evidenced with the advancement of the Bedout sub-basin permits, a tenacious focus and clear execution plan throughout the industry cycles delivers results in the long run. We remain confident that the Company holds attractive permits with exciting new play types that will be of appeal when market conditions recover.

I'd like to take this opportunity to thank the Carnarvon team for their resilience and "can do" attitude during this year, most specifically during the period of great uncertainty as the COVID-19 virus took hold around the world. Our operations progressed without missing a beat and that is a reflection of the team's positive attitude and passion for the work that they all do.

Finally, on behalf of Carnarvon's staff, I would like to thank our Chairman, Peter Leonhardt, for his many years of guidance and support. He has led the Company into a very strong position and leaves it with a very exciting future. The transition of the Chairmanship to Mr Bill Foster has been well planned for and was unsurprisingly well received by shareholders. Bill is no stranger to Carnarvon, having been a non-executive director for the last ten years, and has a strong passion for our next phase of growth that will involve the progression of the Dorado field development.

Adrian Cook
Managing Director and Chief Executive Officer**.**

OVERVIEW OF OPERATIONS

The highlights for the Company during the 2020 financial year were:

- Completion of Successful Dorado appraisal drilling campaign
- Incredible flow test results in Caley and Baxter reservoirs during the Dorado-3 appraisal well
- Dorado development planning commenced with project currently performing Pre-FEED work
- Acquisition of high quality Keraudren 3D seismic over Dorado development area and nearby prospects
- Significant prospects identified nearby the Dorado discovery
- Buffalo PSC signed and Treaty ratified moving the Buffalo project to Timor-Leste jurisdiction
- Buffalo oil field redevelopment plans progressed with operations established in Timor-Leste
- Carnarvon increased its equity and secured operatorship in exciting Outtrim project in Carnarvon Basin
- Progressed the suite of highly prospective exploration assets across the North West Shelf

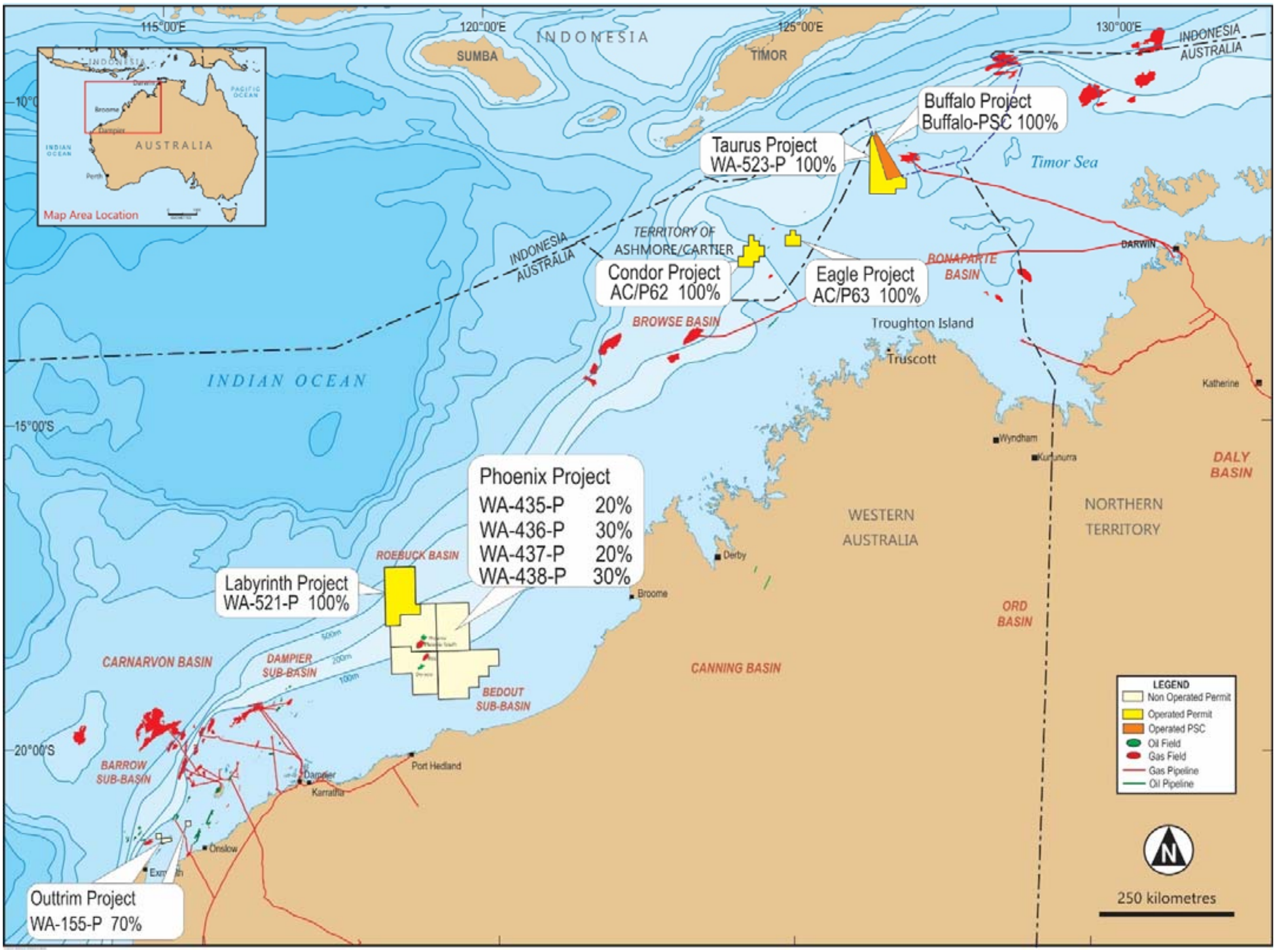


Figure 1: Carnarvon Interests as at 30 June 2020 in Australia and Timor-Leste.

Dorado Project Background

In 2009, Carnarvon and its Joint Venture partner at the time, secured considerable acreage in the Bedout Sub-basin, offshore of Western Australia, through interests in four exploration permits (WA-435-P, WA-436-P, WA-437-P and WA-438-P). The permits lie approximately 110km from the coast, offshore of Port Hedland in Western Australia.

Prior to Carnarvon securing the exploration acreage, this considerable area of the Bedout Sub-basin had been relatively underexplored in comparison to the prolific Carnarvon basin to the south-west and the Bonaparte basin to the north-east. Following the completion of a string of four wells in the 1970's, the Phoenix-1 and Phoenix-2 wells were drilled in the early 1980's. These Phoenix wells were initially considered to be gas discoveries and were subsequently not pursued, which was the driver for Carnarvon's original interest in the permits three decades later.

The initial work on the permits involved an extensive geological study and the acquisition of modern 3D seismic which was a marked upgrade to the existing legacy 2D seismic. The 3D seismic acquisition confirmed two significant prospects in Phoenix South within WA-435-P and Roc in WA-437-P. As a result, interest in the permits grew and the Joint Venture farmed out interests in the project to new partners who funded the exploration drilling costs to test the Phoenix South and Roc targets.

The Phoenix South-1 well was drilled in the WA-435-P permit in 2014 discovering light oil which became the catalyst for further Bedout-Sub basin exploration. This discovery was followed by the Roc-1 well in WA-437-P in late 2015 which discovered a condensate rich gas. The Roc field was successfully appraised in 2016 with the achievement of a historic flow test during the Roc-2 well, confirming the ability of the hydrocarbons to flow from the quality Caley reservoir at depths of over 4,000 metres.

In 2018, the Dorado-1 exploration well discovered a significant light oil column and condensate rich gas in a number of additional reservoirs. The reservoir qualities exceeded pre-drill estimates and hydrocarbons were recovered across the four reservoirs in the well (being the Caley, Baxter, Crespin and Milne reservoirs) with a total hydrocarbon net pay of 132 meters.

Figure 2: Image of Nobel's Tom Prosser rig on site during the Dorado Appraisal campaign.

Dorado Appraisal (WA-437-P)
(Carnarvon 20%, Santos is the Operator)

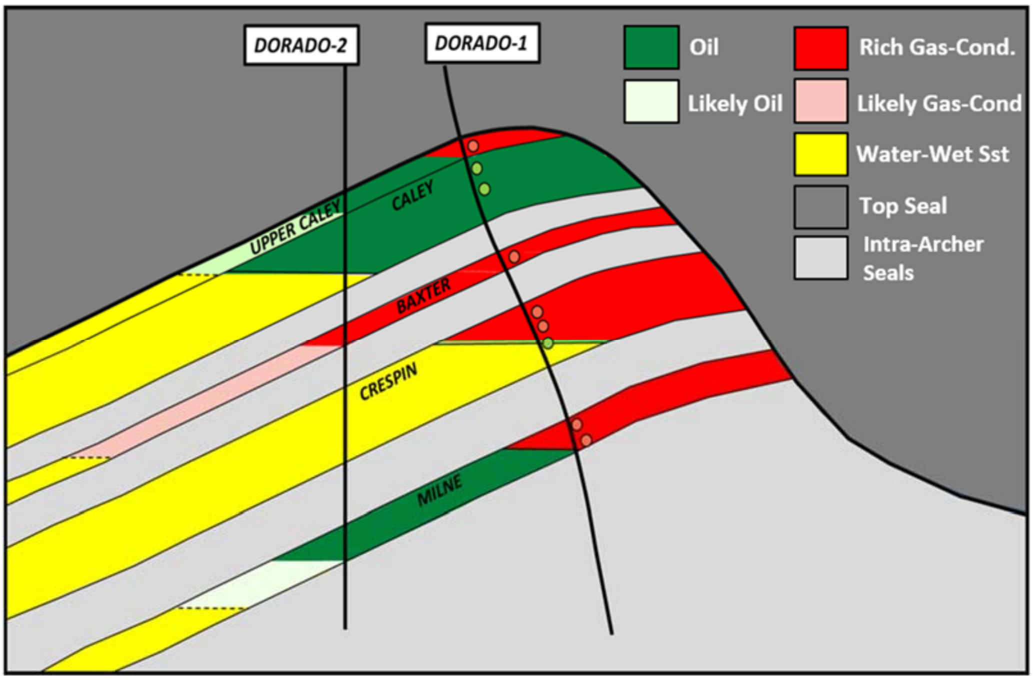


Figure 3: Schematic image of the Dorado field and Dorado-1 and Dorado-2 well locations.

In 2019, the Joint Venture moved expediently to appraise the landmark Dorado discovery. The appraisal program commenced with the Dorado-2 well which was completed at the beginning of the financial year and confirmed the major oil and condensate rich gas resource at Dorado.

The Dorado-2 appraisal well, located around two kilometres from the Dorado-1 exploration well, intersected an oil-water contact as planned which enabled the refinement of the range of recoverable oil resource. High quality oil was extracted from the reservoir and the excellent reservoir properties encountered were comparable to those discovered in the Dorado-1 well. Significantly, the well encountered high quality and productive reservoirs in each target.

Condensate rich gas was also extracted from the Baxter reservoir with wireline logging confirming that a hydrocarbon column was encountered with no gas-water contact, as expected. Pressure data indicates that the column likely extends for several hundred meters below the depth encountered in the well. Highly condensate rich gas samples were also recovered from the Milne reservoir. Importantly the reservoirs down to the Milne level were also of high quality which will be important in development.

The Dorado-3 well, being the second and final Dorado appraisal well, was located approximately 900 meters north-west of the Dorado-1 well discovery location. With the successful appraisal in the Dorado-2 well, the Dorado-3 well was designed to enhance the Joint Venture's confidence in the subsurface characteristics. Importantly, the key highlights of the Dorado-3 well were the highly successful flow tests in the Baxter and Caley reservoirs.

The first flow test, of the Baxter reservoir, achieved a maximum possible measured rate of approximately 48 million standard cubic feet ("MM scf") per day of gas and 4,500 barrels ("bbls") per day of associated condensate through a 60/64" choke. This is equivalent to approximately 15,300 barrels of oil equivalent ("boe") per day using Carnarvon's 4.45 Bscf per MMBoe conversion rate for the Baxter gas. The well test was conducted over an approximate 7.4 metre interval of net Baxter reservoir and importantly was achieved with only 150 psi drawdown.

Figure 4: The Nobel Corporation's Tom Prosser rig utilised in the Dorado drilling campaign.

The second test, of the Caley reservoir, was completed soon after and successfully confirmed that the Caley reservoir was capable of delivering oil at significant production flow rates. The oil flow rate achieved in the Caley reservoir was one of the highest from a North West Shelf appraisal well test.

The Caley reservoir was tested over an approximate 11 metre section of reservoir. The initial clean-up flow rate achieved a maximum possible measured rate of approximately 11,000 barrels per day of oil and 21 million standard cubic feet per day of associated gas through a 68/34" choke. The results were achieved with a 220 psi drawdown and, as with the Baxter test, the Caley flow rate was constrained by the capacity of the test equipment on the rig. The results indicate the very high potential for flow rates of up to 30,000 barrels per day from each future production well in the Caley reservoir.

The Dorado appraisal program was successfully completed with the well and flow test results exceeding pre-test expectations and confirming the high quality of the reservoirs in Dorado.

The Joint Venture also completed the Roc South-1 exploration well during the year. While the well did not encounter a commercial quantity of hydrocarbons, Carnarvon is confident the result does not materially impact other exploration targets in the region.

Dorado Development (WA-437-P)
(Carnarvon 20%, Santos is the Operator)

The scale and quality of the Dorado project enabled the Joint Venture to move quickly to the development planning phase. Key milestones towards this goal were reached during the year, as the project evolved through the concept select phase and then into pre-Front End Engineering Design ("pre-FEED") workflows.

The work to date strongly supports an initial development concept which focuses on extracting the liquids (oil and condensate). The field's gas and LPG's can be reinjected into the reservoir and through a process of miscible flooding, will maintain reservoir pressures and importantly, improve oil displacement and recovery. The gas and LPG's can then be considered for subsequent production in a potential second stage development.

Plans for this first stage liquids extraction were considerably advanced during the year with the preliminary field development plan encompassing a single Well-Head Platform ("WHP") connected to a nearby Floating Production Storage and Offtake ("FPSO") vessel via sub-sea flowlines and control lines.

The WHP is designed to be a normally unmanned installation with minimal processing facilities. It will be remotely operated from the FPSO using sub-sea control lines. Expressions of interest have been received from a significant number of companies for the construction and installation of the WHP in 90 metres of water depth, and an invitation to tender has been extended to a short list of those companies.

The WHP has the capacity to accommodate up to 16 individual wells from a single drill centre. During the initial phase of development, gas will be reinjected via some of these wells into the reservoir, as previously mentioned, to enhance oil recovery.

The FPSO is planned to be located around two kilometres from the WHP and will be connected to the seabed by a disconnectable turret mooring system. The FPSO includes the processing facilities for the oil and gas being delivered from the reservoir via the wells and WHP and allows for storage of oil and condensate as well as offloading to a separate offtake tanker.

Pre-FEED contracts were awarded to three leading FPSO vessel contractors during the year. Under the terms of the contracts, the parties will work independently to advance their FPSO designs and mature their vessel construction plans and supply terms. This competitive process will ensure the Joint Venture is able to consider the optimal technical design, cost and schedule for the provision of the FPSO. This process will also determine the contracting strategy for the FPSO.

The FPSO and WHP are connected via around two kilometres of flowlines and control umbilicals that are laid on the sea-floor, together referred to as SURF (Subsea Umbilicals, Risers and Flowlines). A local engineering contractor is undertaking the pre-FEED design work on the Dorado SURF components. This will lead to detailed field layout definition.

The work to date has been critical towards formally commencing FEED work for the project. Carnarvon is working very closely with the operator to ensure that the components required to formally commence FEED are completed in order to achieve, subject to market conditions, a Final Investment Decision ("FID") in 2021.

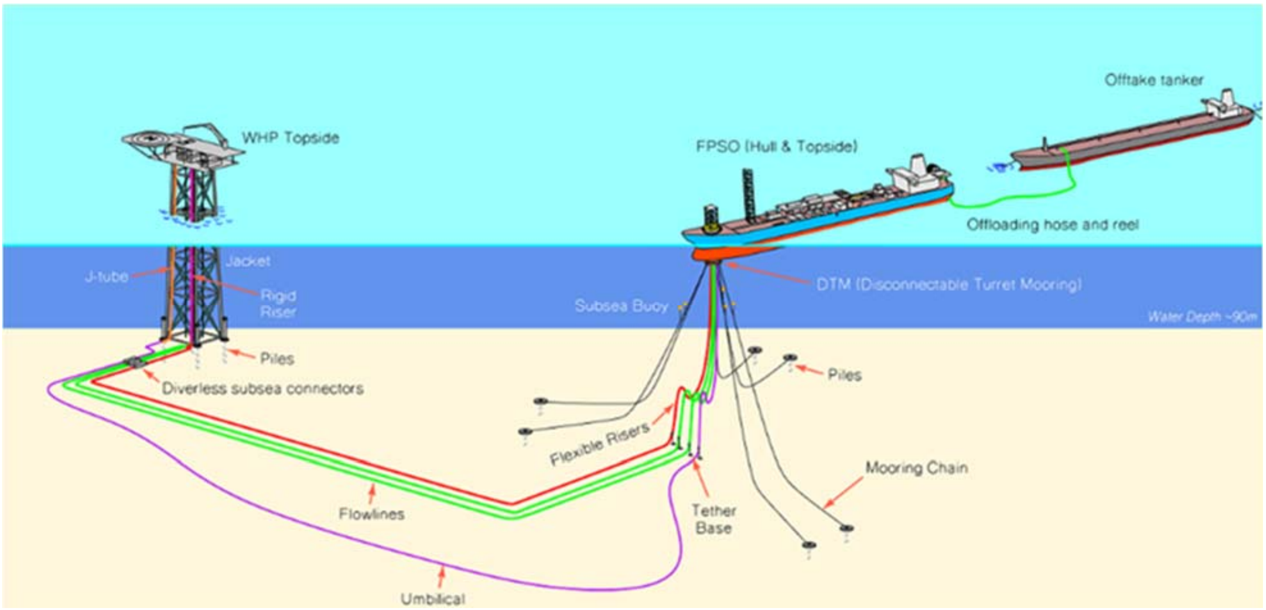


Figure 5: Proposed Dorado Field Development Layout.

**Exploration – Greater Bedout Area (WA-435-P, WA-436-P, WA-437-P and WA-438-P)
(Carnarvon 20%-30%, Santos is the Operator)**

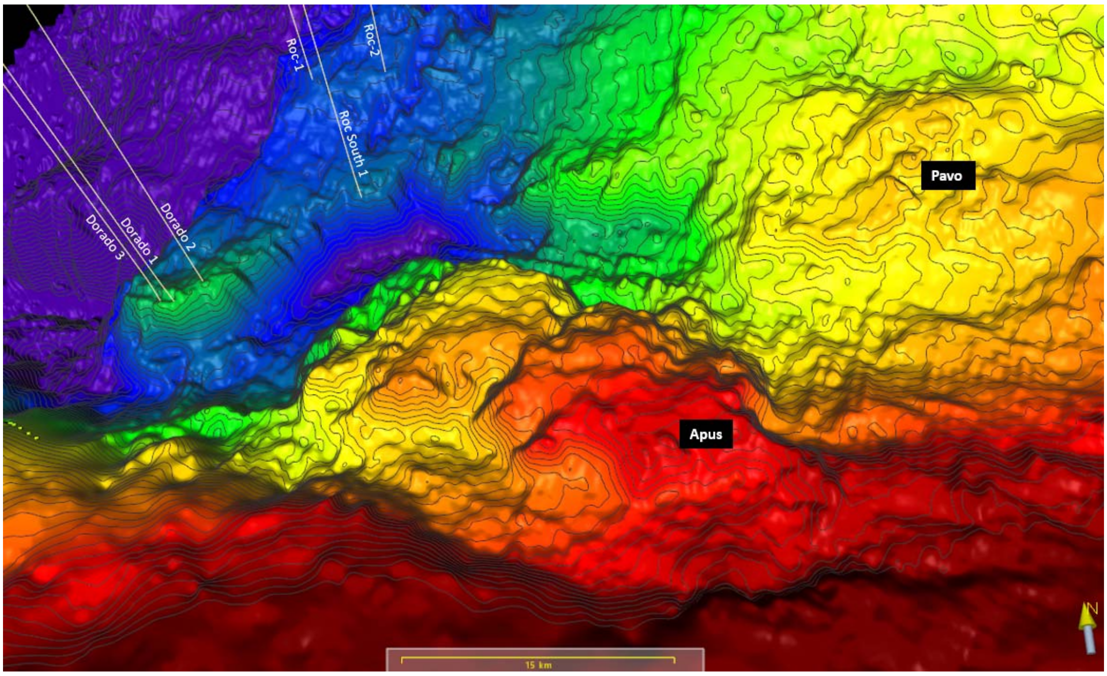


Figure 6: Map of top Caley/TR15 with well locations and significant prospects in the Bedout Sub-basin.

The Roc-1 and Dorado-1 well discoveries have provided important information unlocked the greater Bedout sub-basin, which was historically under-explored prior to the Phoenix South-1 well drilled in 2014 by Carnarvon and its joint venture partners at the time. Over the years, the joint venture partners have changed but Carnarvon has remained as the one core constant since the beginning of the modern journey in unlocking the frontier Bedout Sub-basin.

The next step in unlocking the exploration potential of the Bedout was the Keraudren 3D seismic acquisition which completed Phase 1 during the year. The purpose of the survey was to improve on the existing 3D seismic, specifically over the Dorado development area and nearby exploration targets.

Carnarvon has already received the fast-tracked version of the Keraudren data, with the final data set to be merged with the existing Capreolus 3D Seismic. This work will be completed towards the end of this calendar year. The data quality of the Keraudren 3D seismic has been a marked improvement over the existing data and has not only enhanced the Dorado development but it has also illuminated the exciting near field exploration targets.

Most importantly, the structural integrity of the Apus and Pavo prospects have been confirmed by the Keraudren 3D seismic. In many ways, these are both similar to Dorado in that they are stratigraphic traps along the middle Triassic canyon escarpment cuts of the area.

Apus has a larger closure in area than Dorado with similar stacked reservoir objectives. Pavo is more like Dorado in scale, although on seismic there appears to be more reservoir at this prospect. Apus and Pavo also contain shallower reservoir targets compared with Dorado that would likely lower future drilling campaign costs.

In addition to Pavo and Apus, there are numerous new prospects and leads being advanced on the Keraudren 3D, some of which are within tie back distance to the Dorado field.

Carnarvon's acreage across the Bedout Sub-Basin is of a scale which is equivalent in size to the inboard Carnarvon basin that is made up of the Dampier, Barrow and Exmouth sub basins. These basins contain a large number of successful oil and gas fields. The scale and under explored nature of the Bedout sub-basin presents an exciting exploration future and a very rare opportunity in Australia, and in fact the world, for Carnarvon to continue on this journey of uncovering a brand-new petroleum basin and to explore its most significant targets.

Carnarvon plans to continue its journey of uncovering this brand-new petroleum basin and maturing the 200 plus prospects and leads currently identified and adding to this portfolio as the sub-basin becomes more comprehensively understood.

Buffalo Project Background
(Carnarvon 100% and Operator)

Carnarvon was awarded the WA-523-P permit within the Bonaparte Basin of Australia in May 2016, which included the previously developed Buffalo oil field.

The initial technical work was focused on reprocessing the 3D seismic data using a number of new technologies, including Full Waveform Inversion (FWI) technology. The FWI reprocessing considerably improved the data quality, allowing clearer analysis of key intervals in and around the Buffalo oil field. The subsequent technical work supported the interpretation of a significant attic oil accumulation remaining after the original development, based on sub-optimal positioning of early wells using poorly processed seismic data.

In March 2018, the Australian and Timor-Leste Governments signed a Maritime Boundary Treaty ("Treaty") in order to redefine the maritime boundary between the two countries. The Buffalo project was to be affected by the boundary change, resulting in the Buffalo oil field redevelopment being undertaken within Timor-Leste's jurisdiction. A portion of WA-523-P, however, was to remain within Australia's jurisdiction, which contains undrilled exploration prospects.

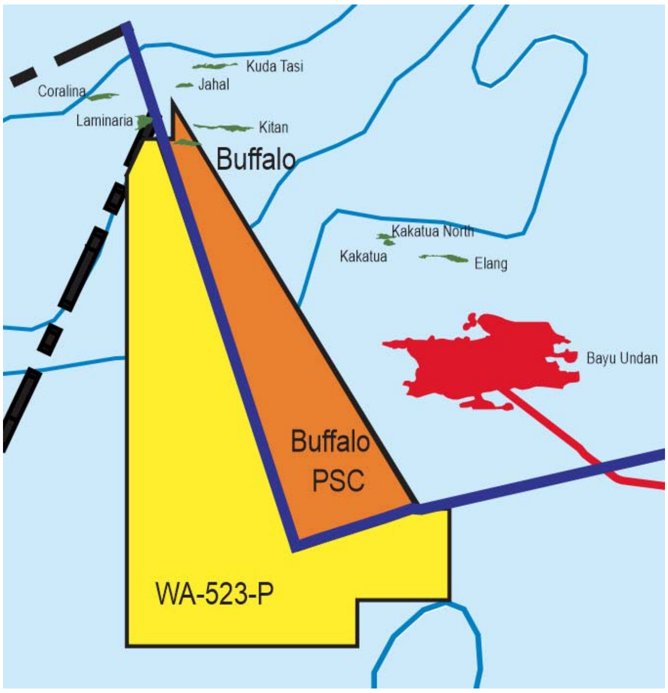


Figure 7: Map of WA-523-P permit and the Buffalo PSC.

Following the signing of the Treaty, Carnarvon commenced extensive negotiations to secure a Production Sharing Contract ("PSC") with the governments of Timor-Leste and Australia, and in consultation with the respective government regulators, Autoridade Nacional do Petróleo e Minerais ("ANPM") and Noational Offshore Petroleum Titles Administrator ("NOPTA").

The Treaty between Australia and Timor-Leste was ratified in August 2019 which finalised the maritime boundary change. Immediately following the ratification, Carnarvon signed a PSC confirming ongoing title to the Buffalo oil field

Figure 8: Exchange of Gifts at the Buffalo PSC Signing Ceremony.

and the surrounding exploration acreage.

One of the key conditions of the Treaty was that the affected parties, such as Carnarvon, would be granted security of title with conditions equivalent to those previously in place under Australian domestic law. Importantly, Carnarvon's PSC achieves a similar net back after government taxes and duties to Carnarvon, when compared to Australia's offshore PRRT regime.

Carnarvon also received formal recognition for previous work undertaken whilst WA-523-P was under the Australian regulatory regime. In particular, the approval of the Environmental Plan to drill three wells into the Buffalo field by NOPSEMA was accepted by Timor-Leste authorities and will continue to be utilised in the project.

Buffalo Project (TL-SO-T 19-14 PSC)
(Carnarvon 100% and Operator)

Following the finalisation of the maritime boundary change, Carnarvon expeditiously established its operations in Timor-Leste. This included the establishment of an office and the employment of staff in Dili, the capital of Timor-Leste. Carnarvon has continued to advance its operational readiness to ensure it, or an incoming operating partner, has the appropriate systems required for the development, drilling and production of the Buffalo oil field. The continuation of these workflows will ensure that the Buffalo project is poised to recommence once a suitable partner has been introduced to the project.

Carnarvon has also undertaken additional technical work to refine the follow up potential to the Buffalo oil field. The technical work includes geochemical studies to assess the Triassic prospectivity and source rock potential within the project in light of the compelling evidence for these working Triassic petroleum systems across the North West Shelf of Australia and within the Timor Sea.

In particular, Carnarvon has identified the Buffalo Deep prospect, which lies below the Buffalo oil field. A comprehensive geochemistry study aims to provide identification of a working Triassic petroleum system and to de-risk the charge concepts for the Triassic targets, including Buffalo Deep.

Carnarvon continued its process to introduce a partner to the Buffalo project. Acquiring a suitable partner will assist with financing the project which will be vital as Carnarvon works towards bringing both the Dorado and Buffalo fields into production.

Taurus Project (WA-523-P)
(Carnarvon 100% and Operator)

A significant portion of the WA-523-P exploration permit will still remain in Australian waters, following the maritime boundary change.

Carnarvon continued its technical analysis during the year to identify additional exploration potential within the permit. The work to date has been very promising with mapping of the existing seismic identifying numerous prospects and leads.

The standout prospect is Angus, which is a dual stacked Jurassic and Triassic structure. The Triassic structure is almost 70 square kilometres in area and with the overlying Jurassic, it could be a very significant oil discovery in the region. Within WA-523-P there are several follow-up drilling targets at Jurassic and Triassic levels. WA-523-P is an excellent exploration block as it is within the known Jurassic petroleum system, likely to be oil bearing rather than gas, with excellent reservoir rocks. The upside in the permit is the unproven and undrilled Upper Triassic interval, well known onshore Timor-Leste to be the source for many of the known oil seeps. A discovery within the Triassic interval would open up a new petroleum province in the region and could have a significant effect on Carnarvon's exploration portfolio in this region.

Outtrim Project (WA-155-P)
(Carnarvon 70% and Operator)

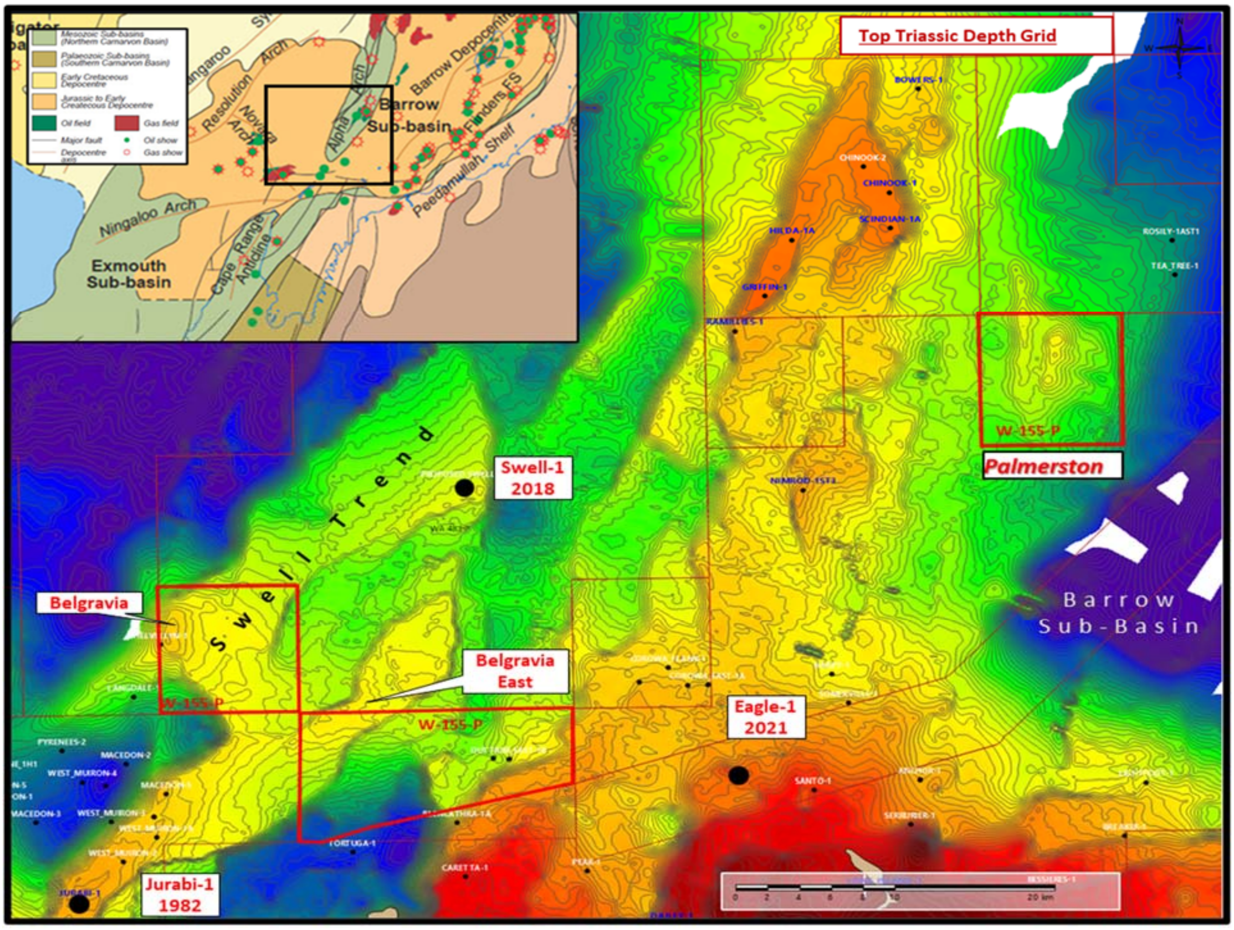


Figure 9: Top Triassic map of Belgravia and Palmerston prospects within WA-155-P.

The Outtrim project is in the Barrow sub-basin, within the Carnarvon Basin of the North West Shelf of Australia. Carnarvon recently increased its equity to 70% and secured operatorship of the WA-155-P permit, which forms the Outtrim project.

The Outtrim project contains the Palmerston, Belgravia and Belgravia-East prospects, all Triassic Mungaroo gas targets. Carnarvon believes there to be significant gas potential in this area of the Carnarvon Basin, as outlined in figure 9.

The Triassic play system is the most successful petroleum play within the North West Shelf creating a heartland of LNG scale gas and condensate discoveries. Triassic reservoirs have underpinned fields such as Gorgon, Rankin and Wheatstone. The petroleum traps within this play tend to be simple fault block structures with excellent reservoir quality, dependant on depth of burial.

The Palmerston prospect, which is a fault bounded Triassic structure, sits on the eastern side of the Alpha Arch. While this Triassic play has been successful in the Gorgon field further outboard to the Outtrim area, there are several sub-economic discoveries on the nearby Alpha Arch which have proved a working petroleum system in the region. Palmerston has the potential to have over 500 metres of Jurassic shales over the top of the structure, which differentiates the prospect from those on the Alpha Arch to the west. The thickness of these sealing shales could indicate the potential to trap a larger hydrocarbon column, meaning any discoveries could be significantly larger than those on the Alpha Arch.

This north-east block of the WA-155-P permit was only recently amalgamated back into the rest of the project and Carnarvon is still evaluating the prospective resource, including the potential size, at Palmerston. Given the surrounding infrastructure, a discovery could be used as backfill gas for existing LNG projects, or alternatively tied into the domestic gas system either as a standalone project or via already existing gas plants.

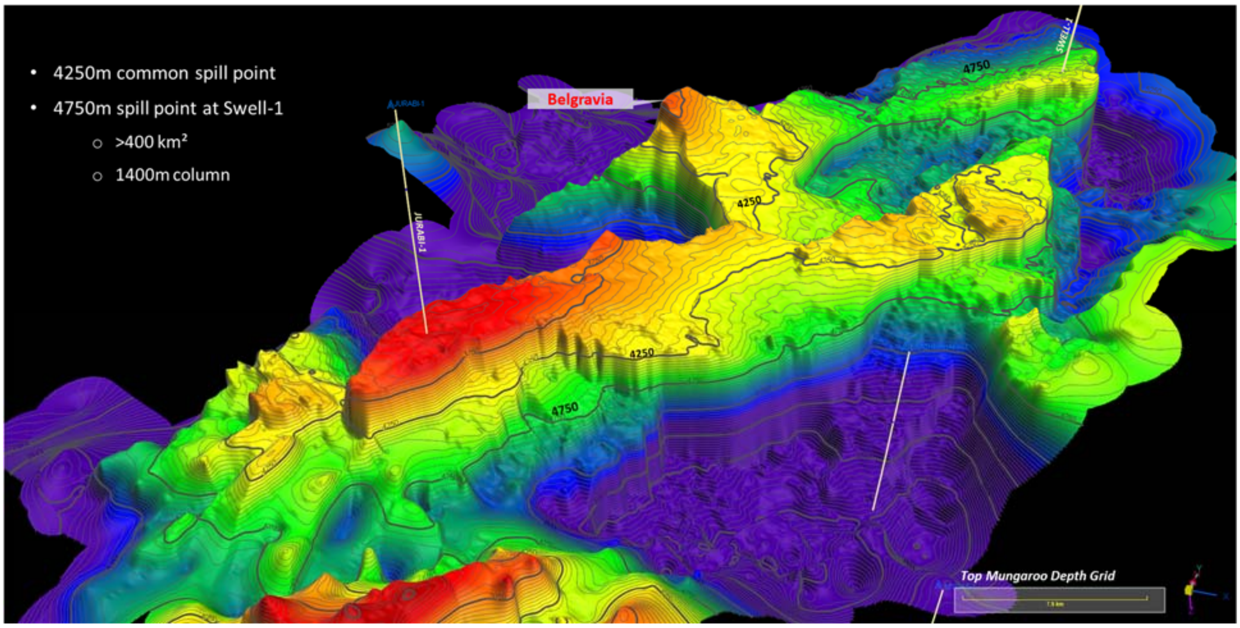


Figure 10: Top Triassic model of the "JBS structure"

In the western graticular block of the permit lies the Belgravia prospect, which has been upgraded following the Swell-1 well previously drilled by Woodside Petroleum. The Swell-1 well, whilst being a tight gas discovery, is encouraging because it confirms the presence of a working petroleum system, over a large hydrocarbon column, only some 20 kilometres from the Belgravia prospect.

Carnarvon's mapping indicated the crest of the Belgravia structure is up-dip of the Swell-1 gas discovery and around 650 metres shallower than the Swell structure. Typically, reservoir quality improves at shallower depths. Accordingly, on face value, Belgravia could expect to contain better reservoir quality compared to that reported at Swell.

During the year, Carnarvon progressed its regional Triassic mapping, through which Carnarvon has also observed that the Belgravia prospect could be part of a much larger structure that Carnarvon refers to as the Jurabi-Belgravia-Swell structure ("JBS structure"), as indicated in figure 10.

The JBS structure has been proven to contain gas based on the down-dip Swell-1 well (Top Triassic is around 4,500 metres below seabed) and the up dip Jurabi well (Top Triassic is around 3,600 metres below seabed). Both wells were reported as relatively low porosity Triassic gas discoveries.

Carnarvon undertook an analysis to determine the reason for the low porosity sands, noting that comparable Triassic gas fields on the North West Shelf of Australia have higher porosities. This analysis included cutting based thin section petrography work which indicated that the Swell-1 and Jurabi-1 wells are likely cemented due to hydrothermal fluids. This type of cementation is usually quite aerially limited and as such would indicate the porosity reduction is a local affect around the wells within proximity to faults.

The consequence is that the porosity and reservoir quality within the Belgravia and Belgravia-East prospects, and potentially within the larger JBS structure, could potentially be similar to the other nearby commercial Triassic gas fields. If the average porosity across the JBS structure was even marginally better than that observed in the Swell-1 and Jurabi-1 wells, this would have a significant beneficial effect on permeability, potentially reclassifying a tight gas discovery into a significant gas field discovery.

Given the significant scale of the JBS structure, which is similar to other fields on the North West Shelf, there is considerable potential from what could already be a significant discovery. On this basis, Carnarvon plans to mature this project through a future farm-out to progress towards further testing the highly prospective Belgravia and Palmerston opportunities.

**Condor and Eagle Projects (AC/P62 and AC/P63)
(Carnarvon 100% and operator)**

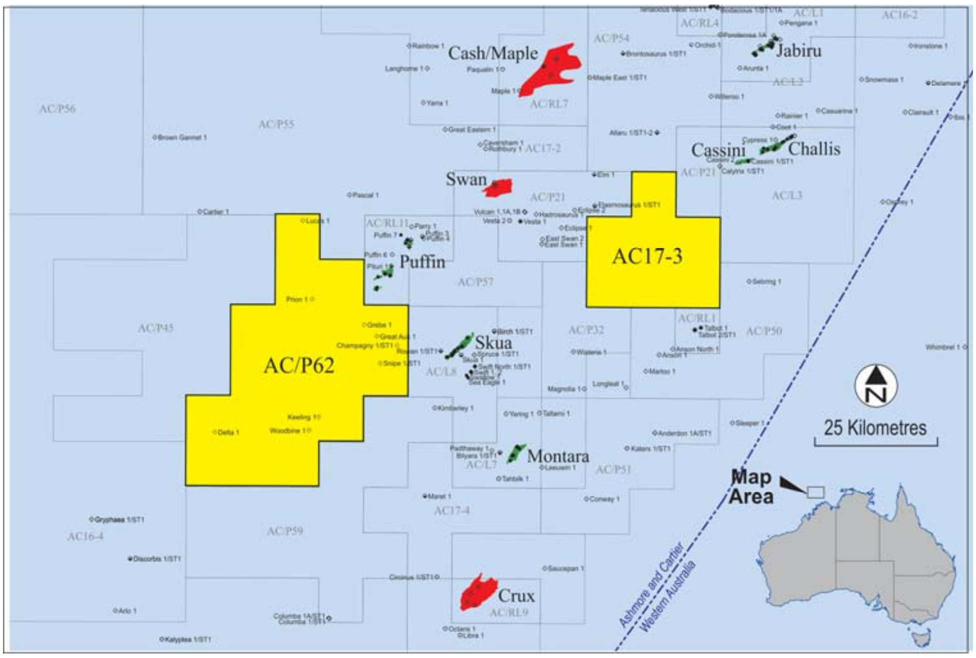


Figure 11: Outline of the AC/P62 and AC/P63 permits in relation to existing fields.

Carnarvon was awarded the AC/P62 (Condor) permit in November 2017 and the AC/P63 (Eagle) permit in February 2018 within the Vulcan sub-basin. Carnarvon identified the opportunity to secure these assets whilst developing its extensive regional database across the North West Shelf of Australia.

The Vulcan sub-basin is a proven and prolific region within the greater Bonaparte basin, containing numerous oil and gas fields. The acquisition of brand new MC3D Cygnus pSDM seismic data has been a game changer for the basin, which has historically been hampered by poor quality vintage data.

With considerable assistance from the improved data, Carnarvon has identified several exciting prospects and leads across the Condor and Eagle projects. Within the Condor project, the standout prospect is Moa, which is a new play type for the North-West shelf of Australia, offering great potential for a large resource. Moa is a late Permian carbonate reef oil prospect of 132km2 and is associated with at least four other leads of this Permian age.

During the year, Carnarvon was granted a suspension and extension approval from the regulator for the AC/P62 permit. The grant of the approval for AC/P62 will allow Carnarvon additional time to assess the third phase of the Cygnus 3D data which will be available towards the end of the year.

Carnarvon's work to date 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. This third phase of the Cygnus data will cover a 317 square kilometres region of the Condor permit which has historically only been covered by 2D seismic.

The technical work on the existing 2D seismic data has shown the possibilities for Cretaceous, Jurassic, Triassic and Permian fault blocks in this area. The new 3D seismic will clarify the prospectivity of this area. Significantly, given the depth and location of the prospects, there is great potential for these targets to be oil charged.

Carnarvon was also granted a suspension and extension approval for the Eagle permit, AC/P63. The approval was to accommodate for the delays which have been experienced due to the COVID-19 restrictions.

The technical work to date has successfully de-risked the reservoir, presence of oil and the quality of hydrocarbons in the Eagle project. The recent Orchid discovery, nearby to the Eagle permit, has also enhanced the potential of the identified prospects.

The standout target identified to date within AC/P63 is the Toucan prospect. Toucan is a large, Middle Jurassic, fault bounded structure with seven square kilometre areal extent and 140 metre structural closure. The structure sits on the

North-east flank of the Skua Trough, with access to migration of hydrocarbons generated by the proven Middle and Late Jurassic (Lower Vulcan and Plover) oil-prone source rocks.

The nearby discoveries of Skua, Talbot, Cassini and Challis oil fields confirm effective migration from the Skua and other surrounding kitchens which gives considerable optimism for the Toucan prospect.

Carnarvon is currently seeking farm-in interest for the Condor and Eagle projects in order to progress the exciting prospects they contain.

Labyrinth Project (WA-521-P)
(Carnarvon 100% and operator)

WA-521-P (Labyrinth project), is located in the Roebuck Basin in the North West Shelf of Western Australia.

This frontier acreage, which lies directly to the north of the Company's Bedout permits, was acquired by Carnarvon in 2016 and has been de-risked following the Bedout discoveries. Carnarvon holds 100% equity in the WA-521-P permit, comprising an area of approximately 5,057 square kilometres.

The Discovery of hydrocarbons in the Late Triassic section of the Phoenix South-3 well, has enhanced confidence in the hydrocarbon charge within the adjoining WA-521-P Permit. Carnarvon is encouraged by the Late Triassic oil prone source rocks in the Labyrinth permit which are currently within the oil window. This has led to comparison with the proven Late Triassic petroleum systems of the Birds Head area of West Papua, Indonesia and Timor Island.

The nearby Nebo-1 well drilled in the early 1990's and flowing around 2,000 barrels of oil per day on test, demonstrated that Triassic oil can migrate vertically into Jurassic reservoirs. With the WA-521-P permit containing several large Jurassic structures across multiple reservoirs, there is considerable potential contained within the Labyrinth project.

The standout target is the Ivory prospect, estimated to contain 420 million barrels of mean recoverable oil over two levels (refer to page 19). Ivory is located in approximately 350 metres water depth.

The primary reservoir of the mid-Jurassic Depuch sandstone is relatively shallow at approximately 2,700 meters below sea level. This reservoir is typically of excellent quality, with porosities averaging around 30% and consisting of hundreds of meters of thick deltaic sandstones. The secondary target is the Upper Bedout formation at approximately 3,400 metres below sea level. At the Ivory location, these sandstones are overlain by approximately 200 to 300 metres of seismically mapped shaly facies which support an effective seal. Both of the reservoir objectives in this Ivory prospect can be targeted with a single well.

Success in the Ivory target would open a new play fairway across 16 additional prospects and leads. With the geological analysis to date identifying 1.5 billion barrels of recoverable prospective resources within these prospects across the permit (refer to page 19), there is significant follow up potential.

The prospects within the Labyrinth project could be further strengthened by upgraded seismic data which would in turn increase the confidence to drill.

Carnarvon continued its farm out process to acquire a suitable partner to evaluate the significant oil prospects. With the industry's increased focus on the region following the Dorado discovery, the nearby Labyrinth project represents a compelling exploration opportunity.

Maracas Project (WA-524-P)
(Divested during the year)

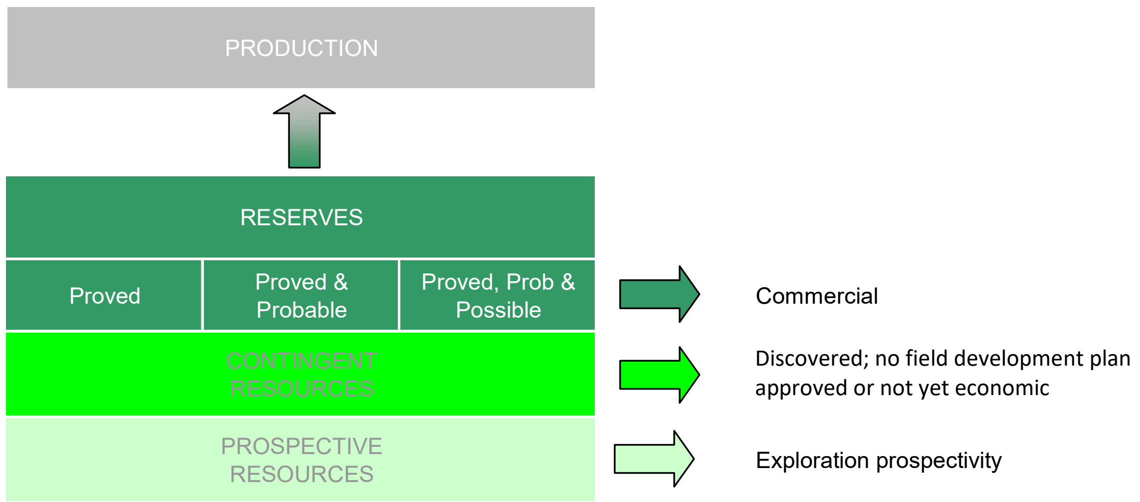
Following the completion of the primary term commitments for the WA-524-P permit, Carnarvon elected to surrender the permit back to the regulator.

Whilst Carnarvon's technical work identified some prospectivity, these were not deemed to be material within the Company's portfolio. Carnarvon made the prudent decision to not continue with the Maracas project and focus on its other quality assets.

RESERVE ASSESSMENT

Petroleum Resource Classification, Categorisation and Definitions

Carnarvon calculates reserves and resources according to the Society of Petroleum Engineers' Petroleum Resource Management System ("SPE-PRMS") definition of petroleum resources. Carnarvon reports reserves and resources in line with ASX Listing Rules.



Reserves

Reserves represent that part of resources which are commercially recoverable and have been justified for development, while contingent and prospective resources are less certain because some commercial or technical hurdle must be overcome prior to there being confidence in the eventual production of the volumes.

Carnarvon does not yet have any reported reserves.

Contingent Resources

Contingent resources are less certain than reserves. These are resources that are potentially recoverable but not yet considered mature enough for commercial development due to technological or business hurdles. For contingent resources to move into the reserves category, the key conditions, or contingencies, that prevented commercial development must be clarified and removed. As an example, all required internal and external approvals should be in place or determined to be forthcoming, including environmental and governmental approvals. There also must be evidence of firm intention by a company's management to proceed with development within a reasonable time frame (typically 5 years, though it could be longer).

Based on the results of drilling and testing to date, the following Contingent Resource estimates are provided.

Gross Contingent Resources

Gross at 30 June 2019	Permit	Light Oil and Condensate MMSTB 1C	MMSTB 2C	MMSTB 3C	Free & Associated Gas BSCF 1C	BSCF 2C	BSCF 3C	Barrels of Oil Equivalent MMBOE 1C	MMBOE 2C	MMBOE 3C
Dorado	WA-437-P	86	162	285	367	748	1,358	176	344	614
Roc	WA-437-P	12	20	35	204	332	580	48	78	137
Phoenix South	WA-435-P	7	17	30	-	-	-	7	17	30
Phoenix	WA-435-P	2	7	16	-	-	-	2	7	16
Buffalo	WA-523-P	15	31	48				15	31	48
Total		**122**	**236**	**413**	**571**	**1,080**	**1,938**	**248**	**477**	**844**

Technical Revision	Permit	Light Oil and Condensate MMSTB 1C	MMSTB 2C	MMSTB 3C	Free & Associated Gas BSCF 1C	BSCF 2C	BSCF 3C	Barrels of Oil Equivalent MMBOE 1C	MMBOE 2C	MMBOE 3C
Dorado	WA-437-P	-	-	-	-	-	-	-	-	-
Roc	WA-437-P	-	-	-	-	-	-	-	-	-
Phoenix South	WA-435-P	-	-	-	-	-	-	-	-	-
Phoenix	WA-435-P	-	-	-	-	-	-	-	-	-
Buffalo	WA-523-P	-	-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-	-	-	-

Gross at 30 June 2020	Permit	Light Oil and Condensate MMSTB 1C	MMSTB 2C	MMSTB 3C	Free & Associated Gas BSCF 1C	BSCF 2C	BSCF 3C	Barrels of Oil Equivalent MMBOE 1C	MMBOE 2C	MMBOE 3C
Dorado	WA-437-P	86	162	285	367	748	1,358	176	344	614
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Phoenix	WA-435-P	2	7	16	-	-	-	2	7	16
Buffalo	WA-523-P	15	31	48				15	31	48
Total		**122**	**236**	**413**	**571**	**1,080**	**1,938**	**248**	**477**	**844**

Net Contingent Resources

Net at 30 June 2020	Permit	Light Oil and Condensate MMSTB 1C	MMSTB 2C	MMSTB 3C	Free & Associated Gas BSCF 1C	BSCF 2C	BSCF 3C	Barrels of Oil Equivalent MMBOE 1C	MMBOE 2C	MMBOE 3C
Dorado	WA-437-P	17	32	57	73	150	272	35	69	123
Roc	WA-437-P	2	4	7	41	66	116	10	16	27
Phoenix South	WA-435-P	1	3	6	-	-	-	1	3	6
Phoenix	WA-435-P	0	1	3	-	-	-	0	1	3
Buffalo	WA-523-P	15	31	48	-	-	-	15	31	48
Total		**37**	**72**	**121**	**114**	**216**	**388**	**62**	**120**	**207**

Prospective Resource Estimates

Prospective resources are estimated volumes associated with undiscovered accumulations. These represent quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from oil and gas deposits identified on the basis of indirect evidence but which have not yet been drilled. This class represents a higher risk than contingent resources since the risk of discovery is also added. For prospective resources to become classified as contingent resources, hydrocarbons must be discovered, the accumulations must be further evaluated and an estimate of quantities that would be recoverable under appropriate development projects prepared.

Net Prospective Resources

	Permit		Light Oil and Condensate MMBBL P90	MMBBL P50	MMBBL Pmean	MMBBL P10	Free & Associated Gas BSCF P90	BSCF P50	BSCF Pmean	BSCF P10	Barrels of Oil Equivalent MMBOE P90	MMBOE P50	MMBOE Pmean	MMBOE P10	Probabilit Geologica Success	Risked MMBOE Pmean
Pavo Caley	**WA-438-P**	**30%**	3	19	25	54	1	9	32	75	3	20	30	67	34%	10.3
Apus Caley[i]	**WA-437/8-P**	**20/30%**	2	18	25	56	1	9	33	75	2	20	31	69	21%	6.5
Apus Baxter[i]	**WA-437/8-P**	**20/30%**	1	12	24	63	0	6	31	68	1	13	29	74	21%	6.0
Apus Crespin[i]	**WA-437/8-P**	**20/30%**	2	25	39	96	1	12	52	116	2	27	49	116	21%	10.0
Apus Milne[i]	**WA-437/8-P**	**20/30%**	8	41	55	121	2	21	73	164	8	44	68	149	21%	13.9
Roc-2 C/D	**WA-437-P**	**20%**	1	1	1	2	11	22	24	40	2	5	6	9	66%	3.7
Roc Satellites	**WA-437-P**	**20%**	0	1	**2**	4	6	23	29	60	1	5	7	14	45%	3.0
Bewdy	**WA-437-P**	**20%**	0	2	6	14	0	2	6	17	0	2	7	17	32%	2.1
Bottler	**WA-437-P**	**20%**	0	3	6	15	-	-	-	-	0	3	6	15	32%	2.0
Peng	**WA-437-P**	**20%**	0	1	2	5	1	4	5	9	0	2	3	7	40%	1.2
Mensa Caley	**WA-435-P**	**20%**	1	6	10	24	15	61	89	200	4	17	26	59	17%	4.4
Mensa Barret (Phoenix)	**WA-435-P**	**20%**	1	14	33	84	-	-	-	33	1	14	33	89	38%	12.4
Lupus	**WA-435-P**	**20%**	0	0	2	4	1	16	69	89	0	3	14	20	14%	1.9
Indus	**WA-435-P**	**20%**	0	1	3	8	2	37	69	178	1	8	16	40	14%	2.2
Ara[ii]	**WA-435/6-P**	**20/30%**	1	19	43	114	-	-	-	-	1	19	43	114	10%	4.3
Bandy Rankin[ii]	**WA-435/6-P**	**20/30%**	1	16	36	93	-	-	-	-	1	16	36	93	14%	5.0
Belgravia	**WA-155-P**	**70%**	0	1	5	13	11	125	308	774	2	23	59	149	29%	17.2
Ivory	**WA-521-P**	**100%**	20	170	322	828	-	-	-	-	20	170	322	828	18%	58.0
Ivory deep	**WA-521-P**	**100%**	6	48	99	243	-	-	-	-	6	48	99	243	13%	12.9
Mouse	**WA-521-P**	**100%**	40	202	278	618	-	-	-	-	40	202	278	618	18%	50.0
Mouse deep	**WA-521-P**	**100%**	3	33	62	152	-	-	-	-	3	33	62	152	13%	8.1
Zebra	**WA-521-P**	**100%**	20	179	382	924	-	-	-	-	20	179	382	924	13%	49.7
Hammock deep	**WA-521-P**	**100%**	8	112	249	630	-	-	-	-	8	112	249	630	13%	32.4
Mahogany	**WA-521-P**	**100%**	22	94	148	332	-	-	-	-	22	94	148	332	13%	19.2
Weaver	**WA-521-P**	**100%**	3	25	44	106	-	-	-	-	3	25	44	106	13%	5.7
Total			**146**	**1,043**	**1,901**	**4,602**	**51**	**345**	**819**	**1,896**	**155**	**1,103**	**2,045**	**4,934**		**341.9**

(i) Apus prospect lies across WA-437-P and WA-438-P in which Carnarvon has 20% and 30% equity
(ii) Ara and Bandy prospects lie across WA-435-P and WA-436-P in which Carnarvon has 20% and 30% equity respectively

Notes on Petroleum Resource Estimates

Unless otherwise stated, all petroleum resource estimates are quoted as at 30 June 2020 at standard oilfield conditions of 14.696 psi (101.325 kPa) and 60 degrees Fahrenheit (15.56 deg Celsius).

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

Carnarvon uses both deterministic and probabilistic methods for estimation of petroleum resources at the field and project levels. Unless otherwise stated, all petroleum estimates reported at the company level are aggregated by arithmetic summation by category.

Conversion from gas to barrels of oil equivalent is based on Gross Heating Value. The conversion is based on composition of gas in each reservoir and is 4.07 Bscf/MMboe, 3.85 Bscf/MMboe, 4.16 Bscf/MMboe, 4.45 Bscf/MMboe, and 3.87 Bscf/MMboe for the Upper Caley, Caley associated gas, Crespin, Baxter and Milne reservoirs, respectively, that make up the Dorado Contingent Resource. For all other gas resources the Company uses a constant conversion factor of 5.7 Bscf/MMboe. Volumes of oil and condensate, defined as ‘C5 plus’ petroleum components, are converted from MMbbl to MMboe on a 1:1 ratio.

The estimates of petroleum resources are based on and fairly represent information and supporting documentation prepared by qualified petroleum reserves and resources evaluators. The estimates have been approved by the Company’s Chief Operating Officer, Mr Philip Huizenga, who is a full-time employee of Carnarvon. Mr Huizenga has over 25 years’ experience in petroleum exploration and engineering. Mr Huizenga holds a Bachelor Degree in Engineering and a Master’s 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.

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.

FINANCIAL REVIEW

The Group reports an after-tax loss $4,137,000 for the financial year ending 30 June 2020 (2019: loss: $8,021,000).

Carnarvon's balance sheet remained strong with cash and cash equivalents of $113,632,000 (2019: $73,900,000), no debt and minimal commitments going forward.

During the financial year, Carnarvon successfully completed a capital raising through a placement to sophisticated and institutional investors raising $78,671,000 after fees. The Placement provided additional funds for Carnarvon's appraisal and exploration activities, engineering and design work for Dorado and a new 3D seismic acquisition over the Dorado and Roc fields and over prospective exploration prospects within the Bedout sub-basin.

The Company invested a further $33,753,000 on its exploration assets. Most of these costs were in relation to the drilling costs for the Dorado-2, Dorado-3 and Roc South-1 wells and the Keraudren 3D seismic acquisition, all within the Company's Bedout project. In addition, the Company continued its preparatory work for the Buffalo oil field redevelopment and other exploration projects.

Carnarvon wrote off $1,174,000 (2019: $0) during the year of exploration expenditure which was previously capitalised. This expenditure related to the WA-524-P permit, containing the Maracas project. Whilst Carnarvon's technical work identified some prospectivity, these were not deemed to be material within the Company's portfolio and the permit was relinquished to the regulator.

The Company recorded A$1,037,000 (2019: $629,000) in other financial assets as at 30 June 2020. This represents the current value of the shares held by Carnarvon in CWX Global Limited (formerly Loyz Energy Limited) ("CWX"). The movement reflects the increase in the value of the shares during the year which has been recorded on the income statement for the year ended 30 June 2020. The shares were received as settlement of the deferred consideration asset relating to the 2014 sale of half of Carnarvon's former interests in its producing concessions in Thailand.

Carnarvon spent $1,393,000 (2019: $1,666,000) in new venture and advisory costs as the Company continues to develop its significant regional geological database. This has been integral in identifying highly prospective opportunities within the North-West shelf of Australia to add to the Company's string of successful discoveries.

During the financial year there was an unrealized gain on foreign exchange of $847,000 (2019: $2,237,000) due to the effect of a depreciation of AUD against the Carnarvon's USD cash and financial assets.

The Company does not currently use derivative financial instruments to hedge financial risk exposures and therefore it is exposed to daily movements in the international oil prices, exchange rates, and interest rates. The Company manages its cash position in US Dollars and Australian Dollars to naturally hedge its foreign exchange rate exposures having regard for likely future expenditure.

IMPACT OF COVID-19:

The market conditions associated with the COVID-19 virus have impacted business conditions whilst the situation continues to progress and evolve. The Company responded to the current situation with the following:

- The Company ensured the safety of its employees by instigating working from home arrangements. Whilst employees have returned its offices, the Company is well prepared for increased restrictions which may result in additional working from home arrangements,
- The Company has increased health and safety measures for its offices,
- Planned seismic acquisition programs in the 2020 calendar year were deferred until market conditions improved and vessel logistics are not constrained by health issues,
- The Company deferred approximately $3,730,000 of planned expenditure including seismic acquisition,
- The Company continued its Dorado operations without material interruptions, and
- The Company continued its farm-out processes in relation to its exploration portfolio.

The market conditions associated with COVID-19 has had a particular impact on the price of oil. This could impact the Company's strategy whereby:

- The Dorado Final Investment Decision, planned for 2021, is subject to market conditions,
- Attracting suitable farm-out transactions may be challenging until conditions approve,
- Seismic acquisition and drilling activities may be delayed until current border restrictions are eased, and
- The impact on debt and equity capital markets from a declining oil price could result in greater difficulty in acquiring funding, in particular for the Dorado project.

Given the ongoing economic uncertainty, these impacts could change in the future.

The carrying value of the Company's assets also requires judgments which could be subject to uncertainty due to the impacts of COVID-19. The Company performed an assessment during the period and has assessed that there has not been an impact on the carrying value of its assets as a result of COVID-19.

Despite the current impacts of COVID-19 on the industry and the Company, the Company has materially maintained its core operations. The Company continually monitors the situation and will re-assess the situation as it evolves.

RISK MANAGEMENT

Carnarvon recognises the importance of risk management in order to deliver the Company's strategies and to provide sustainable value growth to shareholders. Carnarvon manages its risks in accordance with its risk management policy to ensure the critical risks are identified, managed and monitored.

The Company's risk management framework is overseen by the Audit and Risk committee. This oversight of the effectiveness of the risk management processes and activities provides assurance to the Board and shareholders and supports the Company's commitment to continuous business improvement.

MATERIAL BUSINESS RISKS

Economic and Financial Risks:

Additional information on financial risks are contained in Note 25.

Oil Price

The financial performance, future value and growth of Carnarvon is dependent upon the prevailing price of oil. The price of oil is subject to fluctuations and is affected by numerous factors beyond the control of Carnarvon.
A sustained period of low or declining oil prices could adversely affect the carrying value of Carnarvon's assets and the commercial viability of future developments.

Carnarvon monitors and analyses oil markets and seeks to reduce the price risk where reasonable and practical. Carnarvon will develop a hedging strategy upon sanction of future projects. However, due to the early stage of Carnarvon's projects, Carnarvon does not have any active hedges against the price of oil. Once Carnarvon's projects develop further, the Company will enter hedging contracts to mitigate against fluctuations in the price of oil.

Foreign Currency Exchange

Carnarvon's financial report is presented in Australian dollars, however, Carnarvon holds funds in both AUD and USD. The retention of US dollars influences Carnarvon's reported cash holdings due to AUD / USD exchange rates at each reporting period year end which may result in foreign exchange gains or losses in each period.
Carnarvon also incurs some costs in foreign currencies, typically US dollars, which means Carnarvon is subject to fluctuations in the rates of currency exchanges.

To mitigate against these foreign currency exchange fluctuations, Carnarvon holds a balance between USD and AUD as a natural hedge to committed future expenditures denominated in both USD and AUD. Once Carnarvon's projects develop further, the Company may enter into hedging contracts to mitigate against fluctuations in foreign currency exchanges.

Funding Risk

The nature of Carnarvon's business involves significant capital expenditures on exploration, appraisal, and potential development activities. Carnarvon's business and the development of large-scale projects in which Carnarvon pursues, relies on access to debt and equity funding.

Limitations on Carnarvon's ability to access funding could result in the postponement or reduction of capital expenditures, the relinquishment of rights in relation to assets, adversely affect Carnarvon's ability to take advantage of opportunities and restrict the expansion of the business. These could result in a material adverse effect on Carnarvon's business, financial condition, and operations.

Carnarvon establishes funding plans for its material projects to ensure that the optimal funding is obtained to maximise shareholder value. This includes an economic and commercial analysis of projects and funding and ensuring that potential funding complies with Carnarvon's risk management framework.

Operational Risks:

Exploration

Exploration is a speculative endeavour with an associated risk of discovery to find any oil and gas in commercial quantities and a risk of development. The future profitability of Carnarvon directly relates to the results of exploration, development, and production activities. If Carnarvon is unsuccessful in locating and developing new reserves and resources that are commercially viable, this may have a material adverse effect on Carnarvon's future business, operations, and financial conditions.

Carnarvon utilises well-established prospect evaluation and experienced personnel to evaluate prospects and manage exploration risks. Carnarvon also has a process to ensure major decisions are subject to assurance reviews which include external experts and contractors where appropriate.

Joint Venture Operations

Carnarvon participates in a number of joint ventures. This is a common form of business arrangement particularly in the oil and gas industry in order to share the benefits, risks and costs associated with projects.
Subject to any sole risk development rights which may exist in joint venture agreements, Carnarvon may require the agreement of other joint venturers to proceed with an exploration or development project. Failure to agree on these matters may have a material adverse effect on Carnarvon's business.

To the extent that Carnarvon is a minority partner in a joint venture, Carnarvon is dependant to a degree on the efficient and effective management of those operating companies as managers. The objectives and strategies of these operating companies may not always be consistent with the objectives and strategies of Carnarvon. However, operators must act in accordance with the directions of the relevant voting majority or by the voting principles of the joint venture.

Carnarvon must also pay its percentage interest share of all costs and liabilities incurred by the joint venture as required under a joint operating agreement. If Carnarvon fails to meet these obligations it may experience a dilution of its interests in a joint venture or may not gain the benefit of the activities, except at a significant cost penalty later in time.

Carnarvon manages joint venture operations risk through careful joint venture partner selection, stakeholder engagement and relationship management. Commercial and legal agreements, including joint operating agreements, are in place across all Joint Ventures to define the responsibilities and obligations of the Joint Ventures.

Resource Estimates

Oil and gas resource estimates are expressions of judgement based on knowledge, experience, and industry practice. Estimates which are valid when originally calculated may alter significantly or become uncertain when new information becomes available. Material changes to resource estimates may result in Carnarvon altering its plans which could have a positive or negative effect on its operations.

Carnarvon prepares its reserves and contingent resources estimates in accordance with the definitions and guidelines in the Society of Petroleum Engineers 2007 Petroleum Resources Management Systems. The assessment of Reserves and Contingent Resources may also undergo independent audit and review.

Development

The development of Carnarvon's projects is subject to a range of risks and uncertainties. These developments are exposed to the risk of low side reserve outcomes, cost overruns, timing delays and production decreases. A significant poor development outcome could result in material adverse impacts to reserve and production forecasts, future revenues, and operating costs.

Carnarvon mitigates these risks through the careful selection of joint venture partners, where possible, ensuring the utilisation of high quality and experienced contractors throughout the development process and conducts a series of assurance and analysis procedures prior to committing to a development.

Regulatory

Carnarvon operates in highly regulated industries and jurisdictions. Changes in regulations or enforcement actions could have material adverse impacts on Carnarvon. Changes in Government, monetary, taxation, operational and other laws in the countries in which Carnarvon operates may also impact Carnarvon's operations.

Carnarvon also holds interests in permits which are governed by the granting of contracts, licenses, permits, or leases by the appropriate government authorities. Carnarvon may lose title to or its interest in a permit if license conditions are not met or insufficient funds are available to meet expenditure commitments.

Carnarvon monitors changes in relevant regulations and engages with stakeholders to ensure their concerns are managed and that policy changes are understood, to ensure the Company complies all regulatory requirements.

Foreign Operations

Some countries within which Carnarvon operates are developing countries that have political and regulatory structures that are maturing and have potential for future change. There is the risk that certain events can have a material impact on the investment and security environment within these countries which could impact the assets held by Carnarvon.

Carnarvon closely monitors the political developments and events in the countries in which it operates. Carnarvon engages with stakeholders in these countries and maintains local offices which are staffed and provide close monitoring and feedback to head office management.

Key Personnel

Skilled employees and consultants are essential to the successful delivery of Carnarvon's business strategy. Carnarvon relies on the services of certain key management personnel, including its executive officers, other key employees, and consultants. The loss of any of these key personnel could have a material adverse effect on Carnarvon's business.

Carnarvon ensures it maintains competitive remuneration practices relative to its industry, including long and short-term incentive schemes, to ensure it maintains the services of its key personnel and has the ability to attract additional personnel as required.

Safety, Environment and Sustainability:

Health, Safety and Environment

Oil and gas exploration, development and production involve a variety of risks which may impact the health and safety of Carnarvon's people, communities, and the environment. There is a risk of injury or negative health or wellbeing for Carnarvon's employees. These impacts could also lead to reputational damage or fines to the Company.

Carnarvon's projects are also subject to various laws and regulations regarding the environment. Carnarvon's exploration, development and production can be potentially environmentally hazardous giving rise to substantial costs for environmental rehabilitation, damage control, and losses.

Whilst Carnarvon does not directly manage some of its exploration and development activities, as a non-operating partner, Carnarvon ensures it partners with companies that maintain very high standards for health, safety, and environment ("HSE") management. Carnarvon also actively manages its HSE risks which is embedded in its operations and risk management framework. This includes ensuring appropriate HSE systems are in place and insurances are maintained.

Climate Change

Climate change and management of carbon emissions may affect Carnarvon's operations and the markets for oil and gas. Potential risks arising from physical changes caused by climate change include increased severe weather events and rising sea levels which may impact the Company's operations. There are also risks arising from policy changes by governments which may result in increasing regulation and costs which could have a material adverse impact on the Company's operations.

Carnarvon recognises climate-related risks and the need for these to be managed effectively particularly across the energy industry. As a result, the Company actively monitors current and potential areas of climate change risk.

Carnarvon is commitment to continually improving our climate change related disclosures as our processes and understanding of climate change related matters mature, alongside our activities and operations.

Permit Interests

Permit	Basin	Equity	Joint Venture Partner(s)	Partner Interest	Indicative Forward Program
Australia					
AC-P62	Bonaparte	100%	-	-	G & G Studies
AC-P63	Bonaparte	100%	-	-	G & G Studies
WA-521-P	Roebuck	100%	-	-	G & G Studies
WA-523-P	Bonaparte	100%	-	-	G & G Studies
WA-435-P	Roebuck	20%	Santos Limited[i]	80%	G & G Studies
WA-436-P	Roebuck	30%	Santos Limited[i]	70%	G & G Studies
WA-437-P	Roebuck	20%	Santos Limited[i]	80%	G & G Studies, Appraisal
WA-438-P	Roebuck	30%	Santos Limited[i]	70%	G & G Studies
WA-155-P	Barrow	70%	Skye Exploration Pty Ltd	30%	G & G Studies
R 7	Perth	2.50% of 42.5% [(ii)]	-	-	Appraisal

Note:

(i) Denotes operator where Carnarvon is non-operator partner
(ii) Carnarvon has an overriding royalty interest in these assets

Statutory Information

The directors present their report together with the financial report of the Group, being the Company, its controlled entities, and the Group's interest in jointly controlled assets, for the financial year ended 30 June 2020, and the auditor's report thereon.

Carnarvon Petroleum Limited is a listed public company incorporated and domiciled in Australia.

Directors

The names and details of the Company's directors in office at any time during or since the end of the financial year are as follows. Directors were in office for this entire period unless otherwise stated.

Peter J Leonhardt
Chairman

FCA, FAICD (Life)
Appointed as a director on 17 March 2005 and appointed Chairman in April 2005.

Mr Leonhardt is an independent company director and adviser with extensive business, financial and corporate experience. He is a Chartered Accountant, former Senior Partner of PricewaterhouseCoopers and National Board member and Managing Partner of Coopers & Lybrand in Western Australia.

During the past three years Mr Leonhardt has served as a director of CTI Logistics Limited (from August 1999). He was previously a foundation Chairman of Voyager Energy Limited until its agreed acquisition by ARC Energy Limited. Mr Leonhardt is also a director of the Cancer Research Trust and retired as a director of The Harry Perkins Institute of Medical Research in April 2016 following 17 years' service.

Adrian C Cook
Chief Executive Officer and Managing Director

B Bus, CA, MAppFin, FAICD
Appointed as a director on 1 July 2011

Mr Cook has over 30 years' experience in commercial and financial management, primarily in the energy industry. Immediately prior to joining Carnarvon, he was the Managing Director of Buru Energy Limited, an ASX listed oil and gas exploration and production company with interests in the Canning Basin in Western Australia. Mr Cook has also held senior executive positions within Clough Limited's oil and gas construction business and was on the executive committee at ARC Energy Limited, an ASX listed mid cap oil and gas exploration and production company. Mr. Cook is a fellow of the Australian Institute of Company Directors.

During the past three years Mr Cook has not served as a Director of any other listed company. Mr Cook joined Carnarvon on 2 November 2009 and was appointed to the Board on 1 July 2011.

William (Bill) A Foster
Non-Executive Director

BE (Chemical)
Appointed as a director on 17 August 2010.

Bill is an internationally experienced energy executive who has worked with Chevron, a Middle Eastern National Oil Corporation as well as US and ASX listed independents. He spent 30 years with Marubeni Corporation as Energy Advisor until his recent retirement, assisting in the development of their Oil, Gas and LNG business. During this time, a global business was established with Tokyo, London, Houston, Singapore and Perth offices. Mr Foster was a director of Marubeni's various exploration and production subsidiaries and a former director of Tap Oil Ltd.

Bill's activities have covered a broad range of industry and he has extensive, commercial, financial and mergers and acquisitions experience as well as that from his engineering background.

During the past three years Bill was a director of Hawkley Oil and Gas Limited (retired 2019).

Mr Foster is Carnarvon's Lead Independent Director, Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

Peter Moore
Non-Executive Director

B.Sc (Hons Geology), MBA, PhD, GAICD.
Appointed as a director on 18 June 2015.

Dr Moore has extensive experience in exploration and production in Australia and internationally gained through senior roles with a number of globally recognised companies. Dr Moore led Woodside's worldwide exploration efforts as the Executive Vice President Exploration reporting to the CEO and was the Head of the Geoscience function (Exploration, Development, Production, M&A).

During the past three years Dr Moore served as a non-executive Director of Central Petroleum Ltd (retired 2018) and Beach Energy Limited (since 2017).

Dr Moore is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

Gavin Ryan
Non-Executive Director

LLB (Hons), MAICD
Appointed as a director on 30 July 2018.

Mr Ryan is a lawyer who has extensive legal and commercial skills in oil and gas gained through an extensive international career with organisations such as BHP Petroleum, BP, PTTEP and Shell. Mr Ryan has experience in government dealing, production sharing contracts and petroleum project construction contracts.

During the past three years, Mr Ryan has not served as a Director on any other listed Company.

Mr Ryan is Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Company Secretary

Mr Thomson Naude was appointed Company Secretary in November 2013. Mr Naude is a qualified Chartered Accountant, a member of Governance Institute of Australia and the Chief Financial Officer at Carnarvon Petroleum.

Mr Alex Doering was appointed as Joint company secretary in August 2019. Mr Doering is a qualified Chartered Accountant, an Associate of the Governance Institute of Australia and the Financial Controller at Carnarvon Petroleum.

Directors' meetings

The number of directors' meetings held and attended by each of the directors during the reporting period was as follows:

	(a)	(b)
PJ Leonhardt	10	10
WA Foster	10	10
AC Cook	10	10
P Moore	10	10
SG Ryan	10	10

(a) Number of meetings held and eligible to attend during period of office
(b) Number of meetings attended

Audit and Risk Committee

Names and qualifications of Audit and Risk Committee members

The Committee is to include at least 3 members from 1 July 2009. Current members of the committee are Mr Foster (Chairman of the Audit and Risk Committee), Dr Moore and Mr Ryan. Qualifications of Audit and Risk Committee members are provided in the Directors section of this directors' report.

Audit and Risk Committee meetings

The number of Audit and Risk Committee meetings held and attended by the members during the reporting period was as follows:

	(a)	(b)
WA Foster	2	2
P Moore	2	2
SG Ryan	2	2

(a) Number of meetings held during period of office
(b) Number of meetings attended

Remuneration Report (Audited)

Overview

This section provides an overview of Carnarvon's remuneration principles and practices for key management personnel and should be read in conjunction with the more comprehensive detail that is contained within this Remuneration Report.

Carnarvon's business is such that a relatively small number of Executives can generate significant returns for shareholders.

Carnarvon's remuneration policies, as determined by the Board, are designed to deliver short and long-term benefits for the Company and its shareholders. These include attracting, retaining and incentivising quality Executives while ensuring remuneration practices operate within appropriate frameworks.

During the year, the Board determined that the Company's executives outperformed on a number of their set goals across a number of key metrics as outlined below. Notwithstanding these achievements, given the current market conditions, particularly low oil prices driven by COVID-19, the Board exercised its discretion and did not provide for an award to Executives under the short and long-term incentive plans as outlined below.

Short term incentive plan ("STIP"):

The STIP is assessed for all Executives and in the current year was assessed on individual and team contributions toward the achievement of the following strategic objectives and hurdles:

- Dorado-3 appraisal success
- Successful Dorado flow test in the Caley and Baxter formations
- Dorado development commenced concept select workflows
- Buffalo PSC finalised and signed
- Establishment of operations in Timor-Leste
- Preparedness to operate Buffalo materially advanced
- Business Management System, risk management and processes advanced for enhanced business operations
- Significant development of the Company's Governance framework

Despite the achievement of several key strategic objectives and hurdles, the Board exercised its discretion in light of the current market conditions and did not make an award to Executives under the short-term incentive plan.

Long term incentive plan ("LTIP"):

The Company's LTIP contains two hurdle components. The first is share price performance relative to a peer group. The second is based on specific measurable objectives that are linked to the Company's long-term strategic objectives. All Executives participate in the Company's LTIP which is an Employee Share Plan ("ESP") scheme. The key criteria for the LTIP assessment during the year, is outlined below:

- Share price decline during the financial year was 65% which was in the bottom half of the Company's peer group's performance;
- Accordingly, the Board resolved not to approve an entitlement to Executives despite a positive assessment of their contribution to achieving the objectives. The ESP aggregate limit under this component is 0.75% of total issued capital in any given year. There is also a total ESP aggregate limit of 5% for all years provided for under the shareholder approved ESP scheme;
- Important strategic measurable objectives were achieved during the year and significant progress was made towards to the Company's strategy which ordinarily would have entitled Executives to receive an LTIP award, also to the maximum of 0.75% of total issued capital;
- However, the Board exercised its judgement and resolved not to award any shares under the measurable objectives' component on the grounds that it would not be appropriate due to current market conditions;

Remuneration Report (Audited) (continued)

Key Management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The directors and other Key Management Personnel of the Group for the financial year were:

Non-executive Directors	**Position**	**Dates**
Mr PJ Leonhardt	Chairman	Full reporting period
Mr WA Foster	Non-executive Director	Full reporting period
Mr SG Ryan	Non-executive Director	Full reporting period
Dr PS Moore	Non-executive Director	Full reporting period
Executive KMP	**Position**	**Dates**
Mr AC Cook	Managing Director	Full reporting period
Mr PP Huizenga	Chief Operating Officer	Full reporting period
Mr TO Naude	Chief Financial Officer	Full reporting period

Principles of remuneration

The Board is responsible for the Company's remuneration policy and practices. To assist the Board with this, it has established the Remuneration & Nomination Committee (Committee). The Committee's role is to review and make recommendations to the Board on remuneration policies and practices and to ensure that the remuneration policies and practices are consistent with the strategic goal of the Board to build and deliver value to shareholders over the long term.

The Committee assesses the appropriateness of the nature and amount of compensation on an annual basis with reference to industry and market conditions, and with regard to individual performance and the Company's financial and operational results. Such assessments are also made after referring to the recommendations of specialist consultancy firms, industry groups, government and shareholder bodies. The Committee obtains, when required, independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally.

The Committee determines its compensation practices in terms of their effectiveness to:

- Provide a strategic and value-based reward for executives who make a contribution to the success of the Company;
- Align executives' interests with the interests of shareholders;
- Promote the retention of executives; and
- Promote the long-term success of the Company;

Remuneration arrangements are made having regard to the number and composition of Executives in the business and the stage of development of the Company. Remuneration arrangements include a mix of fixed and performance-based remuneration. Performance based remuneration comprises short-term and long-term incentive schemes. Short-term incentive arrangements are designed to incentivise superior individual achievement over a period of twelve months and typically comprise cash payments or share issues, as the Committee considers appropriate. Long-term incentive arrangements are share-based and designed to be simple, clear and strongly aligned between shareholder and executive interests over the medium to longer term.

Remuneration structures take into account the overall level of compensation for each director and executive, the capability and experience of the directors and senior executives, the executives' ability to control the financial performance of the relative business segment, the Group's performance (including earnings and share price), and the amount of any incentives within each executives' remuneration.

Remuneration Report (Audited) (continued)

The Remuneration & Nomination Committee, is of the view that the Company's ESP is an effective structure to meet its objectives and attract, retain and motivate appropriately qualified and experienced executives.

In considering the Group's performance and impact on shareholder wealth, the Board has had regard to the following in respect of the current financial year and the previous four years.

	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Share price as at 30 June each year	$0.100	$0.079	$0.15	$0.60	$0.195
Year on year change in the share price	(13%)	(21%)	90%	300%	(68%)

The Board sets objectives and targets for its Executives for each financial year. The quantum of short-term incentive payments and long-term incentive payments to be made to Executives are determined by the extent to which they meet achieve strategic objectives set by the board. Given many of these objectives are closely linked to strategy, it is not possible for the Company to publicly disclose the objectives until they are fully achieved.

These objectives are summarised, to the extent possible in the following pages.

Non-executive directors

Shareholders approve total non-executive directors' fees and the Committee is responsible for the allocation of those fees amongst the individual members of the Board.

Total remuneration for all non-executive directors, last voted upon by shareholders at a General Meeting in November 2018, is not to exceed $600,000 per annum.

A non-executive director's base fee is $100,000 per annum, the Chairman of the board receives $150,000 per annum, the Chairman of the Audit & Risk Committee, the Chairman of the Remuneration & Nomination Committee and the Lead Independent Director all receive an additional $5,000 for each of these roles. These fees were last increased with effect from 1 January 2020. Non-executive directors do not receive any performance-related remuneration. The Company does not have any terms or schemes relating to incentives or retirement benefits for non-executive directors.

Other Key Management Personnel

Fixed compensation

Fixed compensation consists of base compensation as well as employer contributions to superannuation funds.

Short-term incentive scheme

Short-term incentives are assessed by the Remuneration & Nomination Committee based on three components:

1. The performance of the business as a whole;
2. The extent to which the Executive team achieves strategic objectives set by the board; and
3. The individual performances of each Executive.

The value of any short-term incentive paid in cash is restricted to a maximum 50% of an individual's Fixed Compensation.

The Remuneration & Nomination Committee is not obliged to make incentive payments where there are material adverse changes in the circumstances of the Company.

Non-executive directors are not entitled to participate in the short-term incentive scheme.

Remuneration Report (Audited) (continued)

Any short-term incentives awarded during the period are included in remuneration, and fully vested to each named executive and key management personnel during the period.

The strategic objectives that were met during the 30 June 2020 financial year were as follows:

- Dorado-3 appraisal success
- Successful Dorado flow test in the Caley and Baxter formations
- Dorado development commenced concept select workflows
- Buffalo PSC finalised and signed
- Establishment of operations in Timor-Leste
- Preparedness to operate Buffalo materially advanced
- Business Management System, risk management and processes advanced for enhanced business operations
- Significant development of the Company's Governance framework

Given many of objectives are closely linked to strategy, it is not possible for the Company to publicly disclose all of the objectives until they are fully achieved.

Long- term incentive scheme - Employee Share Plan

The Carnarvon Employee Share Plan ("ESP") was originally implemented following shareholder approval at the 1997 Annual General Meeting ("AGM") and was last updated and ratified by shareholders at the AGM on 9 November 2018.

The purpose of the ESP is to attract, retain and motivate those who have been invited by the Board to participate in the ESP and align their interests with all other shareholders by encouraging performance that increases shareholder wealth through long-term growth.

The plan only rewards long term share price growth, rather than relative performance. The Plan shares are only of value to the holder of the shares to the extent to which the share price increases to exceed at least 120% of the share price when the offer is made to the employee. Furthermore, the Plan does not give rise to a tax liability on issue thus encouraging long-term holdings.

The Company's Employee Share Plan is considered to be an effective way to align the objectives of management with the interests of shareholders.

Each year the maximum numbers of Plan shares that can be awarded is 1.5% of the Company's total issued capital which is broken down into two components.

The award of Plan shares is based on two components:

1. Relative total shareholder return (maximum of 0.75% of total issued capital); and

2. The extent to which the executive team achieves strategic objectives set by the board (maximum of 0.75% of total issued capital).

The relative total shareholder return component as awarded on the following basis:

CVN TSR compared to peers	% of EPS award
Less than 50%	Nil
50%	25%
50% to 90%	Pro rata
90% and above	Full amount

For the purposes of the TSR evaluation, Carnarvon's peer group is Australis Oil and Gas Ltd, Buru Energy Ltd, Central Petroleum Ltd, Cooper Energy Ltd, Cue Energy Resources Ltd, FAR Ltd, Horizon Oil Ltd, Karoon Gas Australia Ltd, Otto Energy Ltd, Senex Energy Ltd, 88E Ltd, Strike Energy Ltd and Tap Oil Ltd.

Remuneration Report (Audited) (continued)

In the 30 June 2020 financial year, the Company was in the lowest 50% TSR range in relation to its peers with a share price decrease of 65%. As such, the relative TSR outcome was 0% on the basis outlined above. Therefore, the pool of plan shares on the relative TSR basis was nil.

The board has set a number of long-term measurable objectives for the executive team. Given the sensitive, strategic and ongoing nature of these objectives the Company is not in a position to fully disclose these at this point in time. The long-term objectives do however relate to:

- Progress under the Company's traditional model of acquiring permits, applying technical expertise with a view to attract a farm in partner to advance the project;
- Progress in the Dorado project (multiple objectives);
- Progress in the Buffalo project (multiple objectives); and
- Numerous corporate objectives which remain confidential.

While the executive team achieved many of the strategic objectives during the 30 June 2020 financial year, the Board applied a reasonableness judgment over the "measurable objectives" component and due to current market conditions, resolved not to award any additional ESP shares under this section. Therefore, no Plan shares were awarded during the year.

The principal provisions of the Plan include:

- The Plan is available to all executive Directors, employees or consultants of the Company or any of its subsidiaries ("Eligible Person");

- Non-Executive Directors are not eligible to participate in the Plan;

- The Company may at any time, in its absolute discretion, make an offer to an Eligible Person;

- The number of Plan Shares issued to any Eligible Person and the issue price is to be determined by the directors of the Company;

- The issue price is to be determined by the Board, provided that the issue price is at least 120% of the market price of the Company's Shares, being the weighted average sale price of Shares sold through the ASX on the 5 trading days prior to the proposed date of an offer under the Plan.;

- The offer may be accepted by an Eligible Person or an associate of that Eligible Person, within the given acceptance period;

- The person accepting the offer ("Participant") will be taken to have agreed to borrow from the Company on the terms of the loan agreement referred to below an amount to fund the purchase of the Plan Shares;

- The Plan Shares will rank pari passu with all issued fully paid ordinary shares in respect of voting rights, dividends and entitlement to participate in any bonus or rights issues;

- Plan participants may not dispose of any ESP Shares within two years of the issue date but, subject to repayment of any associated loan (equal to the issue price), participants may dispose of up to 25% of their ESP Shares after two years, 50% after three years, 75% after four years and 100% after five years.

- Until the loan to the Participant is fully repaid, the Company has control over the disposal of the Plan Shares. Once the loan is repaid in full, the Participant may deal with the Plan Shares as they wish;

- The aggregate number of Plan Shares and other shares and options issued in the previous 5 years under any other employee incentive scheme of the Company must not exceed 5% of the issued capital of the Company; and

- Applications will be made as soon as practicable after the allotment of the Plan Shares for listing for quotation on ASX.

Remuneration Report (Audited) (continued)

The principal provisions of the loan agreement include:

- The amount lent will be an advance equal to the issue price of the Plan Shares multiplied by the number of Plan Shares issued;
- The loan can be repaid at any time but the Participant must pay any amount outstanding to the Company within 30 days of termination of the Eligible Person's employment. All dividends declared and paid on the Plan Shares will be applied towards the repayment of the advance and there is no interest on the advance;
- The maximum liability in respect of the loan will be the allocated price of the Plan Shares;
- A holding lock will be placed on the Plan Shares until the loan is fully repaid.

Loans made under the ESP involve no cash outlay by the Company.

A complete copy of the rules of the ESP (which incorporates the terms of the loan agreement) is available for inspection by shareholders (free of charge) at the Company's Registered Office or from the Company Secretary.

Plan Shares are approved by the Remuneration & Nomination Committee based upon the assessed performance of each person against their job specifications and the recommendations of the Chief Executive Officer, and in the case of executive Directors, with the approval of shareholders.

Service contracts

The contract duration, period of notice and termination conditions for key management personnel are as follows:

(i) Adrian Cook, Chief Executive Officer, is engaged as a full time employee. Termination by the Company is with 12 months' notice or payment in lieu thereof. Termination by Mr Cook is with 6 months' notice.

(ii) Philip Huizenga, Chief Operating Officer, is engaged as a full time employee. Termination by the Company is with 3 months' notice or payment in lieu thereof and an additional payment of 3 months' remuneration. Termination by Mr Huizenga is with 3 months' notice.

(iii) Thomson Naude, Chief Financial Officer, is engaged as a full time employee. Termination by the Company is with 3 months' notice or payment in lieu thereof. Termination by Mr Naude is with 3 months' notice.

Equity instruments

(i) Shares

There were no shares in the Company issued as compensation to key management personnel during the reporting period, other than Plan Shares awarded to the Managing Director in the 2019 financial year, which were subsequently approved by shareholders at the AGM on 15 November 2019 then issued following this approval.

Remuneration Report (Audited) (continued)

(ii) Plan Shares

During the current financial year, the following Plan Shares, which are in-substance options, were granted to Executive Officers of the Company:

Executive Officers	Number of plan shares issued	Grant date	Exercise price per plan share	Fair value at grant date
AC Cook*	1,972,567*	15/11/2019*	$0.69*	$0.146*

* Awarded in 2019 financial year and approved by shareholders at the AGM on 15 November 2019.

The exercise price for each issue above was calculated based on at least a 20% premium on the 5-day weighted average closing price prior to the date of offer. The purchases were funded by interest-free loans with a limited recourse security over the Plan Shares and subject to the detailed rules of the ESP. The shares remain subject to the disposal restrictions contained in the Plan Rules summarised above.

The following factors and assumptions were used in determining the fair value of Plan Shares at grant date in the current reporting period:

2020 Grant date	Assumed expiry date	Fair value per option	Exercise price	ASX quoted price of shares at grant date	Expected volatility	Risk free interest rate	Dividend yield
15/11/2019	26/06/2024	$0.146	$0.69	$0.355	68%	0.75%	0%

(iii) Options

There were no options over shares in the Company issued as compensation to key management personnel during the reporting period. No options have been issued since the end of the financial year.

Remuneration & Nomination Committee

The Committee is to include at least 3 members. Members of the committee during the 30 June 2020 financial year were Mr Ryan (Chairman of Remuneration and Nomination Committee), Mr Foster and Dr Moore. Qualifications of Remuneration & Nomination Committee members are provided in the Directors section of this directors' report.

Remuneration & Nomination Committee meetings

The number of Remuneration & Nominations Committee meetings and the number attended by each of the members during the reporting period were as follows:

	(a)	(b)
SG Ryan	3	3
WA Foster	3	3
P Moore	3	3

(a) Number of meetings held during period of office
(b) Number of meetings attended

The Remuneration & Nomination Committee is responsible for the compensation arrangements for directors and executives of the Company. The Remuneration & Nomination Committee considers compensation packages and policies applicable to the executive directors, senior executives and non-executive directors' fees. In certain circumstances these include incentive arrangements including employee share plans, incentive performance packages, and retirement and termination entitlements.

Remuneration report (Audited) (continued)
Directors' and executive officers' remuneration, Company and consolidated (continued)

	Short Term		Post-Employment	Long Term			
Name	Salary and fees ($)	Short term cash bonus ($)	Superannuation contributions ($)	Shares/ Options ($)	Total ($)	Proportion of remuneration performance related %	Value of shares/options as a % of remuneration
Directors							
Non-Executive							
Mr PJ Leonhardt (Chairman)							
2020	$136,594	-	-	-	$136,594	-	-
2019	$120,819	-	-	-	$120,819	-	-
Mr WA Foster[1]							
2020	$97,848	-	-	-	$97,848	-	-
2019	$83,474	-	-	-	$83,474	-	-
Mr SG Ryan[2]							
2020	$94,009	-	-	-	$94,009	-	-
2019	$72,861	-	-	-	$72,861	-	-
Dr P Moore							
2020	$90,170	-	-	-	$90,170	-	-
2019	$78,795	-	-	-	$78,795	-	-
Executive							
Mr AC Cook (Chief Executive Officer)							
2020	$642,120	-	$14,380	$287,459[3,4]	$943,959	30.5%	30.5%
2019	$621,438	$296,705	$33,903	$346,912[3,5]	$1,298,958	49.5%	26.7%
Executives							
Mr PP Huizenga (Chief Operating Officer)							
2020	$583,389	-	$13,209	-	$596,598	-	-
2019	$572,154	$271,888	$39,249	$580,834[3]	$1,464,125	58.2%	39.7%
Mr TO Naude (Chief Financial Officer)							
2020	$324,757	-	$12,323	-	$337,080	-	-
2019	$269,945	$145,181	$36,799	$310,150[3]	$762,075	59.7%	40.7%
Total compensation: key management personnel							
2020	$1,968,886	-	$39,912	$287,459	$2,296,258	12.5%	12.5%
2019	$1,819,486	$713,774	$109,951	$1,237,896	$3,881,107	51.5%	32.7%

Directors' fees are paid or payable to the director or a director-related entity.
[1] Mr Foster resigned as Chairman of the Remuneration and Nomination Committee on 12 April 2019.
[2] Mr Ryan appointed as a non-executive director on 30 July 2018 and appointed as Chairman of the Remuneration and Nomination Committee on 12 April 2019.
[3] Accounting cost as determined using the Black-Scholes Option Pricing Model.
[4] 2020 share-based payments to Mr Cook relate to 2019 financial year remuneration approved at the AGM on 15 November 2019 and issued 25 November 2019.
[5] 2019 share-based payments to Mr Cook relate to 2018 financial year remuneration approved at the AGM on 9 November 2018 and issued 16 November 2018.

Remuneration Report (Audited) (continued)

Ordinary shares held by key management personnel
The movement during the reporting period in the number of ordinary shares in Carnarvon Petroleum Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2020	Held at 1 July 2019	Net acquired/ (sold)	Award under Employee Share Plan	Received on exercise of options	Held at 30 June 2020
Directors					
PJ Leonhardt	17,750,000	-	-	-	17,750,000
WA Foster	850,938	75,000	-	-	925,938
AC Cook	13,738,025	228,205	1,972,567	-	15,938,797
P Moore	420,232	44,000	-	-	464,232
SG Ryan	229,240	38,461	-	-	267,701
Executives					
PP Huizenga	11,976,196	100,000	-	-	12,076,196
TO Naude	4,019,357	55,000	-	-	4,074,357

Plan shares held by key management personnel
Included in the above are plan shares held by key management personnel held under the ESP loan scheme. The balance and movement during the reporting period in the number of plan shares directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2020	Held at 1 July 2019	Granted as compensation	Employee Share Plan cancellations	Exercised	Held at 30 June 2020
Directors					
PJ Leonhardt	3,000,000	-	-	-	3,000,000
WA Foster	-	-	-	-	-
AC Cook	10,973,025	1,972,567	-	-	12,945,592
P Moore	-	-	-	-	-
SG Ryan	-	-	-	-	-
Executives					
PP Huizenga	11,976,196	-	-	-	11,976,196
TO Naude	3,992,512	-	-	-	3,992,512

Options over equity instruments held by key management personnel
The movement during the reporting period in the number of options over ordinary shares in Carnarvon Petroleum Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2020	Held at 1 July 2019	Granted as compensation	Acquired/ (sold)	Exercised	Held at 30 June 2020
Directors					
WA Foster	500,000[1]	-	-	-	500,000
P Moore	500,000[1]	-	-	-	500,000

[1] All options are vested an exercisable at the end of the reporting period.

End of Remuneration Report

Non-audit services

The auditors have not performed any non-audit services over and above their statutory duties during the current reporting period.

Details of the amounts paid or payable to the auditor of the Group for audit services provided during the year are set out below:

Audit Services	Consolidated 2020 ($)
Auditors of the Company:	
Ernst & Young	67,451

Directors' interests

At the date of this report, the relevant interests of the directors in securities of the Company are as follows:

Name	Ordinary Shares	Options over ordinary Shares
PJ Leonhardt	17,750,000	-
AC Cook	15,938,797	-
WA Foster	925,938	500,000
P Moore	464,232	500,000
SG Ryan	267,701	-

Shares issued under the Company's ESP are included under the heading Ordinary Shares. Options over ordinary shares issued to directors are included under the heading Share options.

Diversity

For the year ending 30 June 2020, women made up 31% of the Company's general work force. Currently, there are no women on the board or in senior executive positions.

The Board has set the diversity objective of providing mentoring and support to female employees for the 2020 financial year.

All employees receive ongoing training and professional support in the development of their career and no diversity distinction exists for these activities.

Likely developments

The likely developments for the 2020 financial year are contained in the operating and financial review as set out on pages 5 to 26.

Environmental regulation and performance

The Group's oil and gas exploration and development activities are concentrated in Western Australia. Environmental obligations are regulated under both State and Federal Law in Western Australia. No significant environmental breaches have been notified by any government agency during the year ended 30 June 2020.

Dividends

No dividends were paid during the year and the directors do not recommend payment of a dividend in respect of the current financial year (2019: Nil).

Auditor's independence declaration

The auditor's Independence Declaration under Section 307C of the Corporations Act is set out on page 42 and forms part of the directors' report for the financial year ended 30 June 2020.

Principal activities

During the course of the 2020 financial year the Group's principal activities continued to be directed towards oil and gas exploration, development and production.

Identification of independent directors

The independent directors are identified in the Company's Corporate Governance Statement. The Corporate Governance Statement is available on Carnarvon Petroleum's website at:
carnarvon.com.au/about-us/corporate-governance/.

Significant changes in state of affairs

In the opinion of the directors no significant changes in the state of affairs of the Group occurred during the current financial year other than as outlined in the operating and financial review as set out on pages 5 to 26.

Indemnification and insurance of directors and officers

During the period the Company paid a premium to insure the directors and officers of the Company and its controlled entities. The policy prohibits the disclosure of the nature of the liabilities covered and the amount of the premium paid.

Deeds of Access and Indemnity have been executed by the Company with each of the directors and Company Secretary. The deeds require the Company to indemnify each director and Company Secretary against any legal proceedings, to the extent permitted by law, made against, suffered, paid or incurred by the directors or Company Secretary pursuant to, or arising from or in any way connected with the director or Company Secretary being an officer of the Company.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of the proceedings. The Company was not a party to any such proceedings during the year.

Operating and financial review

An operating and financial review of the Group for the financial year ended 30 June 2020 is set out on pages 5 to 26 and forms part of this report.

Indemnity of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Events subsequent to reporting date

there is no other matters or circumstance has arisen since 30 June 2020 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

(i) The Group's operations; or
(ii) The results of those operations; or
(iii) The Group's state of affairs

Rounding off

The Company is an entity of the kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016. As a result, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

PJ Leonhardt
Director

Perth, 27 August 2020

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Auditor's independence declaration to the directors of Carnarvon Petroleum Limited

As lead auditor for the audit of the financial report of Carnarvon Petroleum Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Carnarvon Petroleum Limited and the entities it controlled during the financial year.

Ernst & Young

R J Curtin
Partner
27 August 2020

CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Carnarvon Petroleum Limited and its Controlled Entities ('the Group') have adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2015 and became effective for financial years beginning on or after 1 July 2015.

The Group's Corporate Governance Statement for the financial year ending 30 June 2020 is dated as at 30 June 2020 and was approved by the Board on 27 August 2020. The Corporate Governance Statement is available on Carnarvon Petroleum's website at carnarvon.com.au/about-us/corporate-governance/.

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	Consolidated 2020 $000	Consolidated 2019 $000
Interest income	2	1,545	1,401
Foreign exchange gain		847	2,237
Movement in fair value of financial assets	8	408	(1,668)
Administrative expenses		(2,611)	(2,214)
Directors' fees		(419)	(356)
Employee benefits expense	19(a)	(1,340)	(5,755)
New venture and advisory costs		(1,393)	(1,666)
Exploration expenditure written off	12	(1,174)	-
Loss before income tax		(4,137)	(8,021)
Taxes			
Current income tax expense	6(a)	-	-
Loss for the year		(4,137)	(8,021)
Other comprehensive income		-	-
Total comprehensive loss for the year		(4,137)	(8021)
Loss to members of the Company		(4,137)	(8,021)
Loss per share:			
Basic loss for the period attributable to members of the entity (cents per share)	5	(0.26)	(0.64)
Diluted (loss for the period attributable to members of the entity (cents per share)	5	(0.26)	(0.64)

The above consolidated income statement and other comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	Consolidated 2020 $000	Consolidated 2019 $000
Current assets			
Cash and cash equivalents	16(b)	113,632	73,900
Other receivables	7	281	308
Other assets	10	814	459
Total current assets		114,727	74,667
Non-current assets			
Property, plant and equipment	9	62	44
Other financial assets	8	1,037	629
Exploration and evaluation expenditure	12	122,622	88,869
Right-of-use assets	11	796	-
Total non-current assets		124,517	89,542
Total assets		239,244	164,209
Current liabilities			
Trade and other payables	14	947	1,776
Employee benefits	19(b)	649	378
Lease liabilities	11	186	-
Total current liabilities		1,782	2,154
Non-current liabilities			
Employee benefits	19(b)	160	283
Lease liabilities	11	644	-
Total non-current liabilities		804	283
Total liabilities		2,586	2,437
Net assets		236,658	161,772
Equity			
Contributed equity	15	245,856	166,081
Reserves	15	(686)	66
Accumulated deficit		(8,512)	(4,375)
Total equity		236,658	161,772

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Issued capital $000	Reserve shares $000	(Accumulated deficit) $000	Translation reserve $000	Fair value reserve $000	Share based payments reserve $000	Total $000
Balance at 1 July 2018	115,508	(4,276)	4,863	26	(1,217)	3,872	118,776
Comprehensive loss							
AASB 9 adjustment to opening balances	-	-	(1,217)	-	1,217	-	-
Restated balance 1 July 2018	115,508	(4,276)	3,646	26	-	3,872	118,776
Loss for the year	-	-	(8,021)	-	-	-	(8,021)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	(8,021)	-	-	-	(8,021)
Transactions with owners and other transfers							
Share based payments	-	-	-	-	-	2,948	2,948
Proceeds from capital raise	47,468	-	-	-	-	-	47,468
Exercise of ESP shares	262	339	-	-	-	-	601
Issue of ESP shares	2,843	(2,843)	-	-	-	-	-
Total transactions with owners and other transfers	50,573	(2,504)	-	-	-	2,948	51,017
Balance at 30 June 2019	166,081	(6,780)	(4,375)	26	-	6,820	161,772
Balance at 1 July 2019	166,081	(6,780)	(4,375)	26	-	6,820	161,772
Comprehensive loss							
Loss for the year	-	-	(4,137)	-	-	-	(4,137)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	(4,137)	-	-	-	(4,137)
Transactions with owners and other transfers							
Share based payments	-	-	-	-	-	288	288
Proceeds from capital raise	78,671	-	-	-	-	-	78,671
Exercise of ESP shares	31	33	-	-	-	-	64
Issue of ESP shares	1,073	(1,073)	-	-	-	-	-
Total transactions with owners and other transfers	79,775	(1,040)	-	-	-	288	79,023
Balance at 30 June 2020	245,856	(7,820)	(8,512)	26	-	7,108	236,658

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	Consolidated 2020 $000	Consolidated 2019 $000
Cash flows from operating activities			
Payments to suppliers and employees		(6,212)	(5,944)
Interest received		1,545	1,401
Net cash used in operating activities	16(a)	(4,667)	(4,543)
Cash flows from investing activities			
Exploration and development expenditure		(37,197)	(38,129)
Research and development tax credit received		1,089	-
Insurance Refund Received		1,180	2,703
Acquisition of property, plant and equipment	9	(47)	(44)
Net cash used in investing activities		(34,975)	(35,470)
Cash flows from financing activities			
Proceeds from capital raise		78,671	47,468
Proceeds from exercise of Employee Share Plan		64	601
Payment of principal portion of lease payment	11	(209)	-
Net cash provided by financing activities		78,526	48,069
Net increase in cash and cash equivalents held		38,884	8,056
Cash and cash equivalents at the beginning of the financial year		73,900	63,606
Effect of exchange rate fluctuations on cash and cash equivalents		848	2,238
Cash and cash equivalents at the end of the financial year	16(b)	113,632	73,900

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

1. Reporting entity

The consolidated financial report of Carnarvon Petroleum Limited ('Company') for the financial year ended 30 June 2020 comprises the Company and its controlled entities (the "Group").

The separate financial statements of the parent entity, Carnarvon Petroleum Limited, have not been presented within this financial report as permitted by The *Corporations Act 2001.*

Carnarvon Petroleum Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The financial report was authorised for issue by the directors on 27 August 2020.

The basis for the preparation of the following notes can be found in note 29 and the significant accounting policies used in the preparation can be found in note 30.

2. Interest income

	Consolidated 2020 $000	Consolidated 2019 $000
Interest revenue	1,545	1,401
	1,545	1,401

3. Other expenses

	Consolidated 2020 $000	Consolidated 2019 $000
The following expenses are included in administrative and employee benefit expenses in the consolidated income statement:		
Depreciation – property, plant and equipment	(29)	(34)
Depreciation – leases	(203)	-
Rental premises	(19)	(287)
Defined contribution – superannuation expense	(223)	(368)

4. Auditors' remuneration

	2020 $	2019 $
Audit and review services:		
Ernst & Young	(67,451)	(67,902)
Tax services:		
Deloitte	(114,839)	-
PWC	(94,700)	(90,670)
Miranda & Associados	(7,243)	-

5. Loss per share

The calculation of basic and diluted earnings per share was based on a weighted average number of shares calculated as follows:

	2020 Number of shares	2019 Number of shares
Issued ordinary shares at 1 July	1,350,824,248	1,189,888,259
Effect of shares issued	212,130,000	63,787,832
Weighted average number of ordinary shares 30 June (basic)	1,562,954,248	1,253,676,091
Effect of share options on issue[(1)]	-	-
Weighted average number of ordinary shares 30 June (diluted)	1,562,954,248	1,254,676,091

	2020 $	2019 $
Loss used in calculating basic and diluted loss per share	(4,317,000)	(8,021,000)

[(1)]As the consolidated entity incurred a loss for the year ended 30 June 2020 and 2019, the effect of options on issue is considered to be antidilutive and thus not factored in determining the diluted earnings per share.

6. Taxes

	Consolidated 2020 $000	Consolidated 2019 $000
(a) Income tax expense		
Current Income tax expense		
Current Income tax expense	-	-
Adjustment for prior period	445	-
	445	-
Deferred tax (income)		
Origination and Reversal of temporary differences-Current	-	-
Adjustment for prior period	(445)	-
	(445)	-
Total income tax expense	-	-
Numerical reconciliation between pre-tax profit and income tax expense:		
(Loss)/profit for the period	(4,137)	(8,022)
Total income tax expense	-	-
(Loss)/profit excluding income tax	(4,137)	(8,022)
Income tax using the statutory rate of 27.5%	(1,138)	(2,206)
Non-deductible expenditure	275	-
R&D grant not assessable	-	-
Settlement of deferred consideration	-	-
Share based payment expense	79	811
Entertainment	3	4
Effect of foreign tax jurisdiction	(13)	-
Revaluation of investments on capital account	(112)	-
Current year tax benefit not brought to account	906	1,391
	-	-
Under(over) provision in prior years	-	-
Income tax expense	-	-
(b) Current tax liability	-	-

Tax Consolidation

Effective 1 July 2003, for the purposes of Australian income taxation, Carnarvon and its 100%-owned Australian controlled entities formed a tax consolidated group. The head entity of the tax consolidated group is Carnarvon.

The impact of consolidating for tax purposes is that Carnarvon's Australian controlled entities are treated as divisions of Carnarvon rather than as separate entities for tax purposes. The members of the group will, if required, enter into a tax sharing arrangement in order to allocate group tax related liabilities to contributing members on a reasonable basis. The agreement will provide for the allocation of income tax liabilities between entities should the head entity default on its tax payment obligations.

6. Taxes (continued)

(c) Deferred tax assets and liabilities

Deferred tax liabilities	Consolidated 2020 $000	2019 $000
Capitalised exploration deducted immediately	33,350	24,439
Unrealised foreign exchange gains	196	681
Gross deferred tax liabilities	33,546	25,120

Deferred tax assets	2020 $000	2019 $000
Carry forward revenue tax losses	45,950	36,506
Property, plant and equipment	130	149
Share issue costs	238	236
Provisions	222	182
Accruals	23	24
Lease liability and right-of-use-assets	9	-
Gross deferred tax assets	46,572	37,096
Set-off of deferred tax liabilities pursuant to set-off provisions	(33,546)	(25,120)
Unrecognised deferred tax asset	(13,026)	(11,976)
Net deferred tax assets	-	-

(d) Unrecognised tax losses and PRRT credits

	2020 $000	2019 $000
Total Australian tax losses	167,091	132,750
Net unrecognised Australian tax losses	47,366	43,548
Timor-Leste tax losses	514	-

The Group has not recognised a deferred tax asset for its Australian or Timor-Leste tax losses.

Unaugmented PRRT losses	135,884	103,144

The Group has not recognised a deferred tax asset for its PRRT losses.

7. Other receivables

Current	Consolidated 2020 $000	2019 $000
Other receivables	63	90
Cash held as security	218	218
	281	308

The Group's exposure to credit and currency risks is disclosed in Note 25.

8. Other financial assets

	2020 $000	2019 $000
Financial assets at FVTPL	1,037	629

Reconciliation

Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

Carrying value at the beginning of period	629	2,297
Fair value movements	408	(1,668)
Carrying value at the end of period	1,037	629

On 6 September 2017, CWX Global Limited (formerly Loyz Energy Limited) ("CWX") issued 331,653,000 shares to Carnarvon. The shares were received as settlement for a deferred consideration asset relating to the sale of Carnarvon's share in oil producing Concessions in Thailand to CWX in 2014. As part of the settlement, Carnarvon is also entitled to 12% of any sale proceeds over US$45m, should CWX sell the Concessions.

The shares in CWX held by Carnarvon at 30 June 2020 has been accounted for as a fair value through profit or loss financial asset under Australian Accounting Standards and classified as a "level 1" financial asset under the fair value hierarchy.

9. Property, plant and equipment

	Consolidated	
	2020 $000	2019 $000
Fixtures and fittings		
Cost:		
Balance at beginning of financial year	563	564
Additions	47	44
Disposals	-	(45)
Balance at end of financial year	610	563
Depreciation and impairment losses:		
Balance at beginning of financial year	519	529
Additions	-	-
Disposals	-	(45)
Depreciation charge for year	29	35
Balance at end of financial year	548	519
Carrying amount opening	44	35
Carrying amount closing	62	44

10. Other assets

	Consolidated	
	2020 $000	2019 $000
Current		
Deposits and prepayments	814	459

11. Rights-of-use assets and Lease liabilities

The Group has leases which predominantly relate to office premise and office car bays. Amounts recognised in the statement of financial position and the carrying amounts of the Group's right-of-use assets and lease liabilities and the movement during the period are as follows:

Rights-of- use asset	Consolidated	
	2020 $000	2019 $000
Balance at beginning of financial year	999	-
Additions	-	-
Depreciation expense	(203)	-
Balance at end of financial year	796	-

Lease liabilities	Consolidated	
	2020 $000	2019 $000
Balance at beginning of financial year	999	-
Additions	-	-
Interest expense	40	-
Lease payments	(209)	-
Balance at end of financial year	830	-
Current lease	186	-
Non-current lease	644	-
Balance at end of financial year	830	-

The following are the amounts recognised in profit or loss:	Consolidated	
	2020 $000	2019 $000
Depreciation – leases	(203)	-

12. Exploration and evaluation expenditure

	Consolidated	
	2020 $000	2019 $000
Cost:		
Balance at beginning of financial year	88,869	53,443
Additions	37,196	38,129
Well control insurance refund	(1,180)	(2,703)
R&D refundable tax offset	(1,089)	-
Exploration expenditure written off	(1,174)	-
Balance at end of financial year	122,622	88,869

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Written off exploration expenditure relates to the relinquishment of the WA-524-P permit. Following the completion of the primary term commitments, the Company elected to return the permit back to the regulator. Whilst the Company's technical work identified some prospectivity, these were not deemed to be material within the Company's portfolio.

The Company performed an assessment during the period on whether the changes in business conditions due to COVID-19 has impacted the carrying value of Exploration and Evaluation Expenditure assets. The Company has assessed that there has been no impact to the carrying value of these assets.

13. Joint operations

The Group has the following interests in joint operations:

Joint operation	*Principal activities*	*Ownership interest %*	
Western Australia		**2020**	**2019**
WA-435-P, WA437-P, Roebuck Basin	Exploration for hydrocarbons	20%	20%
WA-436-P, WA 438-P, Roebuck Basin	Exploration for hydrocarbons	30%	30%
WA-155-P, Barrow sub Basin	Exploration for hydrocarbons	70%	28.5%

With respect to oil and gas in the Phoenix South resource, within WA-435-P, Carnarvon has an arrangement with the operator whereby Carnarvon funds 5% of the Phoenix South-2 and Phoenix South-3 well costs (net of insurance proceeds) and Carnarvon will contribute the balance of its 20% interest into any future work at Phoenix South plus a small promote to be offset against future production.

With respect to the WA-155-P permit, Carnarvon completed an agreement with Skye Exploration Pty Ltd in April 2020 which increased Carnarvon's interest in the permit and secured operatorship of the permit for Carnarvon.

Carnarvon has accounted for its interest in the above Concessions as Joint Operations as the company has joint control. Joint control is derived from the voting rights assigned by the Joint Operating Agreements for each permit.

14. Trade and other payables

	Consolidated	
	2020 $000	**2019 $000**
Current		
Trade payables	782	1,629
Director's fee payable	116	68
Non-trade payables and accrued expenses	49	79
	947	1,776

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 25.

15. Capital and reserves

	Company 2020	Company 2019
	Number of shares	
Contributed equity		
Balance at beginning of financial year	1,350,824,248	1,189,888,259
Issued for cash	211,583,102	151,600,000
Employee Share Plan issues	1,972,567	9,335,989
Balance at end of financial year	1,564,379,917	1,350,824,248

	Company 2020 $000	Company 2019 $000
Issued capital		
Balance at beginning of financial year	166,081	115,508
Reserve employee shares	1,040	2,504
Exercise of employee shares	64	601
Proceeds from capital raise	78,671	47,468
Balance at end of financial year	245,856	166,081

Ordinary shares have the right to one vote per share at meetings of Carnarvon, to receive dividends as declared and, in the event of a winding-up of Carnarvon, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on, shares held.

	Company 2020	Company 2019
	Number of shares	
Reserve shares (plan shares)		
Balance at beginning of financial year	56,145,486	53,602,608
Employee Share Plan issues	1,972,567	9,335,989
Employee Share Plan repaid	(725,119)	(6,793,111)
Balance at end of financial year	57,392,934	56,145,486

	Company 2020 $000	Company 2019 $000
Reserve shares (plan shares)		
Balance at beginning of financial year	6,780	4,276
Employee Share Plan issues	1,040	2,504
Balance at end of financial year	7,820	6,780

Translation reserve

Movements in the translation reserve are set out in the Statement of Changes in Equity on page 46.

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Share based payments reserve

Movements in the share based payments reserve are set out in the Statements of Changes in Equity on page 46. This reserve represents the fair value of shares issued under the Carnarvon's ESP.

16. Reconciliation of cash flows from operating activities

	Consolidated	
	2020 $000	2019 $000
(a) Cash flows from operating activities		
Loss for the year	(4,137)	(8,021)
Adjustments for:		
Equity settled share based payment expense	287	2,949
Depreciation	29	34
Fair Value Movement of financial asset	408	(1,668)
Foreign exchange gain	928	1,098
Exploration expenditure write-off	(1,174)	-
Operating loss before changes in working capital and provisions:	(3,659)	(5,608)
Changes in assets and liabilities:		
Decrease in other receivables	27	16
(Increase)/Decrease in other assets	(354)	96
(Decrease)/Increase in trade and other payables	(829)	874
Increase in provisions and employee benefits	148	79
Net cash flows used in operating activities	(4,667)	(4,543)

(b) Reconciliation of cash and cash equivalents

	2020 $000	2019 $000
Cash at bank and at call	36,541	25,329
Cash on deposit	77,091	48,571
	113,632	73,900

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in Note 25.

Restricted cash of $218,000 consolidated is included under other receivables (2019: $218,000 consolidated), see Note 7.

17. Capital and other commitments

(a) Exploration expenditure commitments

Due to the nature of the Group's operations in exploring and evaluating areas of interest it is necessary to incur expenditure in order to retain the Group's present permit interests. Expenditure commitments on exploration permits can be reduced by selective relinquishment of exploration tenure, by the renegotiation of expenditure commitments, or by farming out portions of the Group's equity. Failure to meet Joint Operation cash requirements may result in a reduction in equity in that particular Joint Operation.

Exploration expenditure commitments forecast but not provided for in the financial statements are as follows:

	Consolidated	
	2020 $000	**2019 $000**
Less than one year	650	793
Between one and five years	500	493
	1,150	1,286

(b) Capital expenditure commitments

Data licence commitments	580	483

(c) Operating leases

Less than one year	-	196
Between one and five years	-	845
	-	1,041

The property lease is a non-cancellable lease with the five-year team, with rent payable in advance.
Contingent rental provisions within the lease agreement require that minimum lease payments shall be increased by 4% per annum.

This property lease for the current reporting period is outlined in Note 11.

18. Contingencies

In accordance with normal petroleum industry practice, the Group has entered into joint operations and farm-in agreements with other parties for the purpose of exploring and developing its petroleum permit interests. If a party to a joint operation defaults and does not contribute its share of joint operation obligations, then the other joint operators are liable to meet those obligations. In this event, the interest in the permit held by the defaulting party may be redistributed to the remaining joint operators.

19. Employee benefits

(a) Employee benefits charged to P&L	Consolidated 2020 $000	Consolidated 2019 $000
Short term:		
Salary and wages (including super)	4,667	4,359
Allocated staff costs to projects	(3,614)	(3,068)
Short term cash bonus	-	1,515
Long term:		
Share based payment expense	287	2,949
Total Employee benefits	1,340	5,755

(b) Employee benefits liabilities	Consolidated 2020 $000	Consolidated 2019 $000
Current:		
Liability for annual leave and long service leave	649	378
Non-Current:		
Provision for long service leave	160	283
Total Employee benefits	809	661

Employee Share Plan

Under the terms of the Carnarvon Employee Share Plan (“ESP”), as approved by shareholders, Carnarvon may, in its absolute discretion, make an offer of ordinary fully paid shares in Carnarvon to any Eligible Person, to be funded by a limited recourse interest free loan granted by the Company.

The issue price is determined by the directors and is not to be less than the weighted average market price of the Carnarvon’s shares on the five trading days prior to the date of offer. Eligible Persons use the above-mentioned loan to acquire plan shares.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in plan shares during the year:

	Number 2020	WAEP 2020	Number 2019	WAEP 2019
Outstanding at 1 July	56,145,486	0.24	53,602,608	0.15
Granted during the year	1,972,567	0.69	9,335,989	0.62
Forfeited during the year	-	-	-	-
Exercised during the year	725,119	0.09	6,793,111	0.09
Expired during the year	-	-	-	-
Outstanding at 30 June	57,392,934	0.25	56,145,486	0.24
Exercisable at 30 June	57,392,934	0.25	56,145,486	0.24

Shares granted under the ESP are accounted for as “in-substance” options due to the limited recourse nature of the loan between the employees and Carnarvon to finance the purchase of ordinary shares. The fair value at grant date for the various tranches of shares issued under the ESP is determined using a Black Scholes methodology using the following model inputs:

19. Employee benefits (continued)

Fair value of ESP shares and related assumptions	Key management personnel 2020	Key management personnel 2019	Other employees 2020	Other employees 2019
Fair value at measurement date (cents)	14.6	30.9	-	32.1
Share price at date of issue (cents)	36	54	-	60
Exercise price (cents)	69	54	-	69
Expected volatility	68%	68%	-	68%
Expected life of ESP share	5 years	5 years	-	5 years
Expected dividends	Nil	Nil	-	Nil
Risk-free interest rate	1.5%	1.33%	-	1.25%
Share-based expense recognised	287,459	1,237,895	-	1,711,136

Further details of shares granted under the ESP to directors are set out in Note 22, and in the Remuneration Report set out on pages 30 to 38.

Options over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Carnarvon Petroleum Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2020

	Held at 1 July 2019	Granted as compensation	Acquired/ (sold)	Exercised	Held at 30 June 2020
Directors					
W Foster	500,000	-	-	-	500,000
P Moore	500,000	-	-	-	500,000

Options granted as compensation have a two-year vesting condition. During the financial year there was no forfeiture or vesting of options granted in previous periods. There were no options on issue that were still to vest at the end of the reporting period. The options held at 30 June 2020 were issued on 16 November 2015 and expire on 16 November 2020 for a maximum term of 5 years.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	Number 2020	WAEP 2020	Number 2019	WAEP 2019
Outstanding at 1 July	1,000,000	0.15	1,000,000	0.15
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 30 June	1,000,000	0.15	1,000,000	0.15
Exercisable at 30 June	1,000,000	0.15	1,000,000	0.15

The weighted average remaining contractual life for the share options outstanding as at 30 June 2020 was 5 months (2019: 1 year).

The fair value of share options issued is measured by reference to their fair value using the Black-Scholes model, as set out below:

19. Employee benefits (continued)

Fair value of share option and related assumptions	2020	2019
Fair value at measurement date (cents)	7.9	7.9
Share price at date of issue (cents)	12	12
Exercise price (cents)	15	15
Expected volatility	89%	89%
Expected life of options	5 years	5 years
Expected dividends	Nil	Nil
Risk-free interest rate	2.0%	2.0%
Share-based expense recognised	-	-

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome

20. Related party disclosures

Ultimate parent

Carnarvon Petroleum Limited is the ultimate parent company.

Wholly-owned group transactions

During the reporting period there have been transactions between Carnarvon and its controlled entities and joint arrangements. Carnarvon only provided technical, accounting and administrative services to Carnarvon Petroleum Timor Unip Lda which was charged $847,000 (2019: $0). The Company provided accounting and administrative services to its other controlled entities for which it did not charge a management fee.

The carrying value of loans to controlled entities at 30 June 2020 was $1,893,000 (2019: $0). These loans are unsecured, non-interest bearing and have no fixed terms of repayment.

Other related party balances and transactions

At 30 June 2020, an amount of $116,250 (2019: $67,855) is included in Carnarvon and consolidated trade and other payables for outstanding director fees and expenses.

21. Segment information

The Group reports one segment, oil and gas exploration, development and production, to the chief operating decision maker, being the board of Carnarvon Petroleum Limited, in assessing performance and determining the allocation of resources. The financial information presented in the statement of cash flows is the same basis as that presented to the chief operating decision maker.

The capitalised exploration and evaluation expenditure reflected on the statement of financial position is in respect of exploration projects in Australia and Timor-Leste.

Basis of accounting for purposes of reporting by operating segments

Unless otherwise stated, all amounts reported to the chief operating decision maker are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Exploration and evaluation assets by geographical region

	2020 $000	2019 $000
Australia	121,273	88,869
Timor-Leste	1,349	-
	122,622	88,869

22. Key management personnel disclosures

(a) Key management personnel compensation

Key management personnel compensation included in employee benefits expense, directors' emoluments, share based payments and administration expenses are as follows:

	Consolidated 2020 $000	2019 $000
Short term employee benefits	1,969	2,533
Post-employment benefits	40	110
Share-based payments	287	1,238
	2,296	3,881

Information regarding individual directors and executives' compensation and some equity instruments disclosures, as permitted by Corporations Regulation 2M.3.03, are provided in the Remuneration Report section of the directors' report as set out on pages 30 to 38.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

(b) Other key management personnel transactions

Amounts payable to key management personnel or their related parties at reporting date in respect of outstanding director fees and expenses are as follows:

	Consolidated 2020 $000	2019 $000
Current		
Director's fee payable	116	68

22. Key management personnel disclosures (continued)

(c) Ordinary shares held by key management personnel

The movement during the reporting period in the number of ordinary shares in Carnarvon Petroleum Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2020	**Held at 1 July 2019**	**Net acquired/ (sold)**	**Award under Employee Share Plan**	**Received on exercise of options**	**Held at 30 June 2020**
Directors					
PJ Leonhardt	17,750,000	-	-	-	17,750,000
WA Foster	850,938	75,000	-	-	925,938
AC Cook	13,738,025	228,205	1,972,567	-	15,938,797
P Moore	420,232	44,000	-	-	464,232
SG Ryan	229,240	38,461	-	-	267,701
Executives					
PP Huizenga	11,976,196	100,000	-	-	12,076,196
TO Naude	4,019,357	55,000	-	-	4,074,357

2019	**Held at 1 July 2018**	**Net acquired/ (sold)**	**Award under Employee Share Plan**	**Received on exercise of options**	**Held at 30 June 2019**
Directors					
PJ Leonhardt	17,750,000	-	-	-	17,750,000
WA Foster	737,302	113,636	-	-	850,938
AC Cook	12,499,917	-	1,238,108	-	13,738,025
P Moore	270,232	150,000	-	-	420,232
SG Ryan	-	229,240	-	-	229,240
Executives					
PP Huizenga	10,668,622	(500,000)	1,807,574	-	11,976,196
TO Naude	3,241,389	(187,228)	965,196	-	4,019,357

22. Key management personnel disclosures(continued)

(d) Plan shares held by key management personnel

Included in the above are plan shares held by key management personnel. The balance and movement during the reporting period in the number of plan shares directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2020	Held at 1 July 2019	Granted as compensation	Employee Share Plan cancellations	Exercised	Held at 30 June 2020
Directors					
PJ Leonhardt	3,000,000	-	-	-	3,000,000
WA Foster	-	-	-	-	-
AC Cook	10,973,025	1,972,567	-	-	12,945,592
P Moore	-	-	-	-	-
SG Ryan	-	-	-	-	-
Executives					
PP Huizenga	11,976,196	-	-	-	11,976,196
TO Naude	3,992,512	-	-	-	3,992,512

2019	Held at 1 July 2018	Granted as compensation	Employee Share Plan cancellations	Exercised	Held at 30 June 2019
Directors					
PJ Leonhardt	3,000,000	-	-	-	3,000,000
WA Foster	-	-	-	-	-
AC Cook	9,734,917	1,238,108	-	-	10,973,025
P Moore	-	-	-	-	-
SG Ryan	-	-	-	-	-
Executives					
PP Huizenga	10,168,622	1,807,574	-	-	11,976,196
TO Naude	3,027,316	965,196	-	-	3,992,512

(e) Options over equity instruments held by key management personnel

The movement during the reporting period in the number of options over ordinary shares in Carnarvon Petroleum Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2020

	Held at 1 July 2019	Granted as compensation	Acquired/ (sold)	Exercised	Held at 30 June 2020
Directors					
WA Foster	500,000	-	-	-	500,000
P Moore	500,000	-	-	-	500,000

Options granted as compensation vest immediately. During the financial year there was no forfeiture or vesting of options granted in previous periods. There were no options on issue that were still to vest at the end of the reporting period.

23. Consolidated entities

Name	Country of Incorporation	Ownership interest 2020	Ownership interest 2019
Company			
Carnarvon Petroleum Ltd			
Controlled entities			
Carnarvon Thailand Ltd	British Virgin Islands	100%	100%
Lassoc Pty Ltd	Australia	100%	100%
SRL Exploration Pty Ltd	Australia	100%	100%
Timor-Leste Petroleum Pty Ltd	Australia	100%	100%
Dorado Petroleum Pty Ltd	Australia	100%	-
Carnarvon Bedout 1 Pty Ltd	Australia	100%	-
Carnarvon Petroleum Timor Unip LDA	Timor-Leste	100%	-

24. Subsequent events

There are no other matters or circumstance which have arisen since 30 June 2020 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

(i) The Group's operations; or
(ii) The results of those operations; or
(iii) The Group's state of affairs

25. Financial risk management

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. This note presents qualitative and quantitative information about the Group's exposure to each of the above risks, their objectives, policies and procedures for managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the financial performance of the Group. The Group does not currently use derivative financial instruments to hedge financial risk exposures and therefore it is exposed to daily movements in the international oil prices, exchange rates, and interest rates.

The Group uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange, and commodity price risk and ageing analysis for credit risk.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Given the stage of the Group's development there are no formal targets set for return on capital. There were no changes to the Group's approach to capital management during the year. Neither the Company nor any of its controlled entities are subject to externally imposed capital requirements.

(a) Interest rate risk

The significance and management of the risks to the Group is dependent on a number of factors including:

- Interest rates (current and forward) and the currencies that are held;
- Level of cash and liquid investments and their term;
- Maturity dates of investments;
- Proportion of investments that are fixed rate or floating rate.

25. Financial risk management (continued)

The Group manages the risk by maintaining an appropriate mix between fixed and floating rate investments.

At the reporting date, the effective interest rates of variable rate interest bearing financial instruments of the Group were as follows.

	Consolidated 2020	2019
Carrying amount (A$000)		
Financial assets – cash and cash equivalents	113,632	73,900
Weighted average interest rate (%)		
Financial assets – cash and cash equivalents	0.66%	1.63%

All other financial assets and liabilities are non-interest bearing.

Sensitivity analysis

An increase in 25 basis points from the weighted average year-end interest rates at 30 June would have increased equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2019:

	Consolidated Equity $000	Profit and loss $000
30 June 2020	281	280
30 June 2019	183	183

A decrease in 25 basis points from the weighted average year-end interest rates at 30 June would have decreased equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2019:

	Consolidated Equity $000	Profit and loss $000
30 June 2020	(281)	(280)
30 June 2019	(183)	(183)

25. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Group and arises principally from the Group's receivables from customers and cash deposits.

The Group's trade receivables are deposits and amounts due from the Australian Taxation office. There were no receivables at 30 June 2020 or 30 June 2019 that were past due.

Cash transactions are limited to financial institutions considered to have a suitable credit rating.

Credit risk further arises in relation to financial guarantees given to certain parties, refer to Note 25.

Exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated	
	2020	**2019**
	$000	**$000**
Carrying amount:		
Cash and cash equivalents	113,632	73,900
Other receivables	281	308
	113,913	74,208

All cash held by the Group is deposited with investment grade banks and any expected credit loss is immaterial.

The aging of the Group's trade receivables at reporting date was:

	Gross 2020 $000	**Impairment 2020 $000**	**Gross 2019 $000**	**Impairment 2019 $000**
Not past due	281	-	308	-
	281	-	308	-

The Group trades only with recognised creditworthy third parties and the exposure to credit risk as at balance date is not significant. The Group believes that no impairment allowance is necessary in respect of other receivables.

25. Financial risk management (continued)

(c) Currency risk

Currency risk arises from assets and liabilities that are denominated in a currency other than the functional currencies of the entities within the Group, being the A$ and US$.

The Group does not currently use derivative financial instruments to hedge foreign currency risk and therefore is exposed to daily movements in exchange rates. However, the Group intends to maintain sufficient USD cash balances to meet its USD obligations.

The Group's exposure to foreign currency risk at balance date was as follows, based on carrying amounts.

	USD A$000
30 June 2020	
Cash and cash equivalents	10,385
Trade payables and accruals	-
Gross balance sheet exposure	10,385
30 June 2019	
Cash and cash equivalents	32,543
Trade payables and accruals	4
Gross balance sheet exposure	32,547

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
AUD to:	**2020**	**2019**	**2020**	**2019**
1 USD	1.489	1.424	1.454	1.423

25. Financial risk management (continued)

(d) Currency risk (continued)

Sensitivity analysis

A 5% strengthening of the AUD against the USD for the 12 months to 30 June 2020 and 30 June 2019 would have decreased equity and pre-tax profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant:

	Consolidated	
	Equity $000	**Profit and loss $000**
30 June 2020		
USD	(719)	(719)
30 June 2019		
USD	(1,549)	(1,549)

A 5% weakening of the AUD against the USD for the 12 months to 30 June 2020 and 30 June 2019 would have increased equity and pre-tax profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant:

	Consolidated	
	Equity $000	**Profit and loss $000**
30 June 2020		
USD	795	795
30 June 2019		
USD	1,712	1,712

(f) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under a range of financial conditions. The Group's significant balance of cash and cash equivalents are considered to be adequately address this risk.

The Group currently does not have any available lines of credit.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of any netting agreements:

	Carrying amount $000	**Contractual cash flows $000**	**6 months or less $000**	**6 to 12 months $000**
30 June 2020				
Non-derivative financial liabilities				
Trade and other payables	898	898	898	-
30 June 2019				
Non-derivative financial liabilities				
Trade and other payables	1,697	1,697	1,697	-

26. Fair value measurement (continued)

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

	Level 1	Level 2	Level 3	Total
30 June 2020	$'000	$'000	$'000	$'000
Assets				
Other financial assets	1,037	-	-	1,037
Total assets	1,037	-	-	1,037

	Level 1	Level 2	Level 3	Total
30 June 2019	$'000	$'000	$'000	$'000
Assets				
Other financial assets	629	-	-	629
Total assets	629	-	-	629

There were no transfers between levels during the financial year.

The carrying amounts of cash and cash equivalents, other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

27. Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards:

	2020 $000	2019 $000
Statement of financial position		
Current Assets	114,693	74,667
Non-current assets	124,022	88,913
Total assets	238,715	163,580
Current liabilities	1,584	2,154
Non-current liabilities	990	283
Total liabilities	2,574	2,437
Equity		
Issued Capital	245,856	166,080
Accumulated Profits	(9,003)	(4,349)
Reserves	(712)	41
Total equity	236,141	161,772
Statement of comprehensive income		
Total Loss	(3,616)	(6,354)
Total comprehensive Loss	(3,616)	(6,354)

Parent Contingencies

In accordance with normal petroleum industry practice, Carnarvon has entered into joint arrangements and farmin agreements with other parties for the purpose of exploring and developing its petroleum permit interests. If a party to a joint operation defaults and does not contribute its share of joint operation's obligations, then the other joint operators may be liable to meet those obligations. In this event, the interest in the permit held by the defaulting party may be redistributed to the remaining joint operators.

27. Parent Information (continued)

Parent capital and other commitments

(a) Exploration expenditure commitments

Due to the nature of Carnarvon's operations in exploring and evaluating areas of interest it is necessary to incur expenditure in order to retain Carnarvon's present permit interests. Expenditure commitments on exploration permits can be reduced by selective relinquishment of exploration tenure, by the renegotiation of expenditure commitments, or by farming out portions of Carnarvon's equity. Failure to meet Joint Operation cash requirements may result in a reduction in equity in that particular Joint Operation.

Exploration expenditure commitments forecast but not provided for in the financial statements are as follows:

	Parent	
	2020	**2019**
	$000	**$000**
Less than one year	650	793
Between one and five years	500	493
	1,150	1,286

(b) Capital expenditure commitments

Data licence commitments	580	482

28. Contingent assets and liabilities

The Company had a contingent asset as at 30 June 2019 which relates to the future receipt of the successful insurance claim pertaining to the completion of well control activities for the Phoenix South-2 well in January 2017 due to the well encountering higher than expected pressures. The Phoenix South-3 well was designed as a re-drill with a significant portion of the costs of the Phoenix South-3 well to be reimbursed by the insurance claim.

As at 30 June 2019, the Company had received $2.7m of the refund. The final insurance refund of $1.2m was received in September 2019.

There were no contingent liabilities as at 30 June 2020.

29. Basis of preparation of the financial report

(a) Statement of compliance

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards ("AASBs"), including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"), and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRSs"). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

(b) Adoption of new and amended Accounting Standards

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

The consolidated entity has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The nature and the effect of the adoption of new Accounting Standards and Interpretations that are most relevant to the Group are described below:

AASB 16 Leases

In the current year, the Group has applied AASB 16 *Leases*, which is effective for annual periods that begin on or after 1 January 2019.

The leases recognised by the Group under AASB 16 predominantly relate to the office premise and office car bays.

AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. The depreciation of the lease assets and interest on the lease liabilities are recognised in the consolidated income statement.

Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at inception as either a finance lease or operating lease. For operating leases, the leased item was not capitalised and the lease payments were recognised in the consolidated income statement on a straight-line basis.

Transition to AASB 16:

The Group adopted the new standard using the modified retrospective approach and applied the practical expedient to not reassess whether a contract is, or contains, a lease at 1 July 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying AASB 17 and Interpretation 4 at the date of initial application. The Group also applied the practical expedient to apply a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

Lease liabilities are measured at the present value of future payments on the initial date of application, being 1 July 2019 discounted at the incremental borrowing rate at that date, and right-of-use assets are equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognised on the consolidated statement of financial position immediately before the date of initial application.

29. Basis of preparation of the financial report (continued)

Impact on consolidated statement of financial position:

Impact on consolidated statement of financial position as at 1 July 2019	$000
Right-of-use assets recognised	999
Lease liabilities recognised	(999)
Retained earnings	**-**

Lease liabilities reconciliation	$000
Operating lease commitments disclosed at 30 June 2019	1,041
Less:	
Present value discounting of lease liabilities [1]	(42)
Lease liabilities recognised on transition as at 1 July 2019	**999**

(1) Lease liabilities were discounted using an average incremental borrowing rate of 4.35%

Leases accounting policy (applied from 1 January 2019)

Set out below are the new accounting policies of the Group upon adoption of AASB 16:

When a contract is entered into, the Group assesses whether the contract contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group separates the lease and non-lease components of the contract and accounts for these separately. The Group allocates the consideration in the contract to each component on the basis of their relative stand-alone prices.

Leases as a lessee

Right-of-use assets and lease liabilities are recognised at commencement date of the lease when the asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated using the straight-line method over the shorter of their useful life and the lease term. Periodic adjustments are made for any re-measurements of the lease liabilities and for impairment losses, assessed in accordance with the Group's impairment policies.

Lease liabilities are initially measured at the present value of future lease payments, discounted using the Group's incremental borrowing rate if the rate implicit in the lease cannot be readily determined After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. Lease payments are fixed payments or index-based variable payments incorporating Group's expectations of extension options and do not include non-lease components of a contract. A portfolio approach was taken when determining the implicit discount rate for the office premise and office car bay lease.

The lease liability is remeasured when there are changes in future lease payments arising from a change in rates, index or lease terms from exercising an extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use assets, with any excess recognised in the consolidated income statement.

Short-term leases and lease of low value assets

Short term leases (lease term of 12 month or less) and leases of low value assets are recognised as incurred as an expense in the consolidated income statement.

29. Basis of preparation of the financial report (continued)

(c) Basis of measurement

The financial report is prepared on a historical cost basis, except for financial assets which are measured at fair value.

(d) Use of estimates and judgements

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Key estimate – income and capital gains taxes

Estimates are made in determining any provision for income and capital gains taxes. The Group recognizes liabilities of anticipated tax based on estimates of taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax expenses, assets or provisions in the year in which such determination is made.

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement to determine whether it is likely that future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Company defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.

Key judgement – functional currency

The determination of the functional currency of the Company's controlled entities requires consideration of a number of factors. These factors include the currencies that primarily influence their sales and costs and the economic environment in which the entities operate.

Key judgements – other

Other areas of judgement are in the determination of oil reserves, rehabilitation provisions, and capitalisation of exploration and evaluation costs, determination of areas of interest, and the units of production method of depreciation.

30. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report. The accounting policies have been applied consistently by all entities in the Group. Certain comparative amounts have been reclassified to conform to the current year's presentation.

(a) Basis of consolidation

Controlled entities

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Joint Operations

The Group's shares of the assets, liabilities, revenue and expenses of joint operations have been included in the appropriate line items of the consolidated financial statements. Details of the Group's interests are provided in Note 13.

30. Significant accounting policies (continued)

(b) Income tax

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

30. Significant accounting policies (continued)

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Tax consolidation

Carnarvon Petroleum Limited and its wholly-owned Australian-resident controlled entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. Carnarvon Petroleum Limited is the head entity of the tax-consolidated group. In future periods the members of the group will, if required, enter into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(c) Property, plant and equipment

Recognition and measurement

All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of an item also includes the initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located. Such amounts are determined based on current costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Impairment

The carrying amount of property, plant and equipment is reviewed at each balance date to determine whether there are any objective indicators of impairment that may indicate the carrying values may not be recoverable in whole or in part.

Where an asset does not generate cash flows that are largely independent it is assigned to a cash generating unit and the recoverable amount test applied to the cash generating unit as a whole.

If the carrying value of the asset is determined to be in excess of its recoverable amount, the asset or cash generating unit is written down to its recoverable amount.

Depreciation

Depreciation on property, plant and equipment is calculated on a straight-line basis over expected useful life to the economic entity commencing from the time the asset is held ready for use. The major depreciation rates used for all classes of depreciable assets are:

Property, plant and equipment: 10% to 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least annually.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

30. Significant accounting policies (continued)

(d) Exploration and evaluation

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the Group's rights of tenure to the area are current and that the costs are expected to be recouped through the successful development of the area, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Each area of interest is assessed for impairment to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Impairment testing is carried out in accordance with Note 30(e).

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation costs attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation to oil and gas assets.

The Company does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

(e) Recoverable amount of non-financial assets and impairment testing

Intangible assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment by estimating their recoverable amount.

Assets that are subject to depreciation are reviewed annually to determine whether there is any indication of impairment. Where such an indicator exists, a formal assessment of recoverable amount is then made. Where this is less than carrying amount, the asset is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects the current market assessments of the time value of money and the risks specific to the asset. Any resulting impairment loss is recognised immediately in the income statement.

For the purposes of impairment testing assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

(f) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

30. Significant accounting policies (continued)

(g) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon
- derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

30. Significant accounting policies (continued)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes other receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss will be recognised through an allowance. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

30. Significant accounting policies (continued)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

For any debt instruments at fair value through OCI, the Group will apply the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities include trade and other payables.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(h) Segment reporting

The Group reports one segment, oil and gas exploration, development and production, to the chief operating decision maker, being the board of Carnarvon Petroleum Limited, in assessing performance and determining the allocation of resources. The financial information presented in the statement of cash flows is the same basis as that presented to chief operating decision maker.

Unless otherwise stated, all amounts reported to the chief operating decision maker are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

30. Significant accounting policies (continued)

(i) Foreign currency

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates (the "functional" currency). The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at balance date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Foreign operations

The financial performance and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at balance date
- income and expenses are translated at average exchange rates for the period

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve as a separate component of equity. These differences are recognised in the income statement upon disposal of the foreign operation.

(j) Share capital

Incremental costs directly attributable to an equity transaction are shown as a deduction from equity, net of any recognised income tax benefit.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any estimated selling costs.

Cost includes those costs incurred in bringing each component of inventory to its present location and condition.

(l) Employee benefits

Wages and salaries, annual leave

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Share based payments

Share based compensation has been provided to eligible persons via the Carnarvon Employee Share Plan ("ESP"), financed by means of interest-free limited recourse loans. Under AASB 2 "*Share-based Payments*", the ESP shares are deemed to be equity settled, share-based remuneration.

30. Significant accounting policies (continued)

For limited recourse loans and share options issued to eligible persons, the Group is required to recognise within the income statement a remuneration expense measured at the fair value of the shares inherent in the issue to the eligible person, with a corresponding increase to a share-based payments reserve in equity. The fair value is measured at grant date and recognised when the eligible person become unconditionally entitled to the shares, effectively on grant. A loan receivable is not recognised in respect of plan shares issued.

The fair value at grant date is determined using a pricing model that factors in the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield, and the risk free rate for the assumed term of the plan. With respect to plan share, upon repayment of the ESP loans, the balance of the share-based payments reserve relating to the loan repaid is transferred to issued capital.

(m) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares.

Basic EPS is calculated by dividing the profit attributable to equity holders of the Company by the weighted number of shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares, which comprise share options issued.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks

(p) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

(p) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Finance income and expenses

Interest revenue on funds invested is recognised as it accrues, using the effective interest rate method.
Finance expenses comprise interest expense on borrowings and the unwinding of the discount on provisions.

(r) Royalties

Royalties are treated as taxation arrangements when they have the characteristics of a tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to revenue derived (net of any allowable deductions) after adjustment for items comprising temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation.
Obligations arising from royalty arrangements that do not satisfy these criteria are recognised as current provisions and included in expenses.

31. Significant accounting policies (continued)

(s) New Accounting Standards for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below:

Reference	Title	Summary	Impact on the Company	Application date of standard	Application date for Group
Conceptual Framework AASB 2019-1	*Conceptual Framework for Financial Reporting Amendments to Australian Accounting Standards – Reference to the Conceptual Framework*	The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows: ► Chapter 1 – The objective of financial reporting ► Chapter 2 – Qualitative characteristics of useful financial information ► Chapter 3 – Financial statements and the reporting entity ► Chapter 4 – The elements of financial statements ► Chapter 5 – Recognition and derecognition ► Chapter 6 – Measurement ► Chapter 7 – Presentation and disclosure ► Chapter 8 – Concepts of capital and capital maintenance AASB 2019-1 has also been issued, which sets out the amendments to Australian Accounting Standards, Interpretations and other pronouncements in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of accounting standards in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying AASB 3 and developing accounting policies for regulatory account balances using AASB 108, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the *Framework for the Preparation and Presentation of Financial Statements* (July 2004), and not the definitions in the revised Conceptual Framework. The Group has yet to fully assess the impact on the Group's financial results when it is first adopted for the year ended 30 June 2021.	There will be no material impact on the Company.	1 January 2020	1 July 2020
AASB 2018-7	*Amendments to Australian Accounting Standards – Definition of Material*	This Standard amends AASB 101 *Presentation of Financial Statements* and AAS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.	There will be no material impact on the Company.	1 January 2020	1 July 2020
AASB 2019-5	*Amendments to AASs-Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*	This standard amends AASB 1054 *Australian Additional Disclosures* to require disclosure of the possible impact of initial application of forthcoming IFRS Standards not yet adopted by the AASB. Entities complying with Australian Accounting Standards can assert compliance with IFRS Standards by making this additional disclosure.	There will be no material impact on the Company.	1 January 2020	1 July 2020

Reference	Title	Summary	Impact on the Company	Application date of standard	Application date for Group
AASB 2020-1	*Amendments to AASs-Classification of liabilities as Current or Non-current*	The AASB recently issued amendments to AASB 101 to clarify the requirements for classifying liabilities as current or non-current to: ➢ Clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period ➢ Specify that classification is unaffected by management intention or expectations about whether any entity will exercise its right to defer settlement of a liability ➢ Explain that rights are in existence if covenants are complied with at the end of the reporting period ➢ Introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	The company is still assessing whether there will be any material impact.	1 January 2022	1 July 2022

(1) In the opinion of the directors of Carnarvon Petroleum Limited:

(a) the financial statements and notes of the Group set out on pages 44 to 85 are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

(ii) Complying with Accounting Standards and the Corporations Regulations 2001; and

(b) The financial statements and notes comply with International Financial Reporting Standards as set out in Note 30; and

(d) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

Signed in accordance with a resolution of the directors.

PJ Leonhardt
Director

Perth, 27 August 2020

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Independent auditor's report to the Members of Carnarvon Petroleum Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Carnarvon Petroleum Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated income statement and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Carrying value of capitalised exploration and evaluation

Why significant	How our audit addressed the key audit matter
As disclosed in Note 12, the Group held capitalised exploration and evaluation expenditure of $122,622,000 as at 30 June 2020. The carrying value of exploration and evaluation assets is subjective as it is based on the Group's ability and intention to continue to explore the asset. The carrying value may also be impacted by the results of exploration and evaluation work indicating that the reserves may not be commercially viable for extraction. This creates a risk that the amounts stated in the financial report may not be recoverable.	Our audit procedures included the following: ▸ considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as license agreements. ▸ considered the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration area which included an assessment of the Group's future cash flow forecasts and enquired of management and the Board of Directors as to the intentions and strategy of the Group. ▸ assessed management's decision that activities have not yet progressed to a point that a determination of the existence of economically recoverable reserves can be made, through discussion with management, review of ASX announcements and review of minutes of directors' meetings. ▸ assessed the directors' review of the carrying value of exploration and expenditure, ensuring that there was consideration of effect of potential indicators of impairment. ▸ assessed the adequacy of the financial report disclosures contained in Note 12 of the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Building a better working world

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Carnarvon Petroleum Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

R J Curtin
Partner
Perth
27 August 2020

Additional information required by the ASX Limited (“ASX”) Listing Rules and not disclosed elsewhere in this report is set out below.

a) Shareholdings as at 26 August 2019

Substantial shareholders

There are no substantial shareholder notices lodged with the Company.

Voting Rights

The voting rights attaching to Ordinary Shares are governed by the Constitution. On a show of hands every person present who is a member or representative of a member shall have one vote and on a poll, every member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. No options have any voting rights.

Twenty Largest Shareholders

Name of Shareholder	Number of Shares	% held
J P Morgan Nominees Australia Limited	76,866,080	4.91
Citicorp Nominees Pty Limited	62,152,312	3.97
HSBC Custody Nominees (Australia) Limited	46,949,502	3.00
Nero Resource Fund Pty Ltd	45,000,000	2.88
UBS Nominees Pty Ltd	27,355,008	1.75
Marford Group Pty Ltd	21,225,155	1.36
BNP Paribas Nominees Pty Ltd	19,103,053	1.22
CS Fourth Nominees Pty Limited	13,688,461	0.88
BNP Paribas Noms Pty Ltd	12,500,000	0.80
Brispot Nominees Pty Ltd	11,876,196	0.76
Mr Philip Paul Huizenga	11,750,000	0.75
Jacobson Geophysical Services Pty Ltd	11,743,000	0.75
Zero Nominees Pty Ltd	11,520,592	0.74
Prettejohn Projects Pty Ltd	11,315,982	0.72
Mr Adrian Caldwell Cook Ms Belinda Michelle Honey	10,834,068	0.69
Brentworth Pty Ltd	9,264,447	0.59
Arne Investments Pty Ltd	9,094,269	0.58
Mr Peter James Leonhardt	9,000,000	0.58
Brixia Investments Ltd	9,000,000	0.58
Kemast Investments Pty Ltd	8,500,000	0.54
	438,738,125	**28.05**

Distribution of equity security holders

Size of Holding			Number of shareholders	Number of fully paid shares
1	to	1,000	634	263,408
1,001	to	5,000	2,704	8,180,562
5,001	to	10,000	2,030	16,715,836
10,001	to	100,000	5,722	224,604,429
100,001	and over		1,971	1,314,615,682
			13,061	1,564,379,917

b) Option holdings as at 26 August 2019

	Number on issue	Number of holders
Options over ordinary shares issued	1,000,000	2

c) On-market buyback

There is no current on-market buyback.

d) Schedule of permits

PERMIT	BASIN/COUNTRY	JOINT VENTURE PARTNERS	EQUITY %	OPERATOR
WA-435-P, WA-437-P	Roebuck / Australia	Carnarvon	20%	
		Santos Limited	80%	Santos Limited
WA-436-P, WA-438-P	Roebuck / Australia	Carnarvon	30%	
		Santos Limited	70%	Santos Limited
WA-155-P	Barrow / Australia	Carnarvon	70%	
		Skye Exploration	30%	Carnarvon
WA-521-P	Roebuck / Australia	Carnarvon	100%	Carnarvon
WA-523-P	Bonaparte / Australia	Carnarvon	100%	Carnarvon
WA-524-P	Dampier / Australia	Carnarvon	100%	Carnarvon
AC-P62	Bonaparte / Australia	Carnarvon	100%	Carnarvon
AC-P63	Bonaparte / Australia	Carnarvon	100%	Carnarvon
R7	Perth / Australia	Carnarvon	2.5% of 42.5%	Latent Petroleum