

BUILDING ON DORADO SUCCESS



Managing Director's comments.

There are at three compelling reasons that lead us to prioritise the Dorado development. First, its scale, with over 150 million barrels (2C, gross). Second, its low projected cost at less than US\$25 per barrel. Finally, the proximity of a multitude of highly valuable near field tie-in opportunities such as the Pavo field that we discovered last year.

Independently, on 24 April 2023 the Offshore Magazine reported Dorado as one of the top five offshore developments to watch (refer to the news section of our website www.carnarvon.com.au for a link to the article).

During the quarter, the key area of focus on the Dorado development pertained to maturing the scope of work for integrating

Quarter Highlights

- **Majority of conditions associated with Carnarvon's divestment of a 10% interest in its Bedout assets to CPC Corporation, Taiwan, for US\$146 million now satisfied. Final condition progressing well.**
- **Pavo integration studies matured further, underpinning its low-cost compatibility with Dorado facilities.**
- **Exciting prospects identified on new 3D seismic in WA-436-P in the Bedout Sub-basin.**
- **Strong balance sheet with A\$95m cash and no debt.**

Pavo into the proposed Dorado production facilities, with this work now well advanced.

Another area of focus during the quarter was the planning for environmental approvals required for post FID activities. New procedures for these approvals were established following court action by a Tiwi Islands group in respect of Santos' Barossa project. In short these now require more extensive stakeholder engagement procedures which we will factor into the Dorado development process.

The Company continues to progress the divestment of 10% equity in its Bedout Sub-basin assets to OPIC Australia, a wholly owned subsidiary of CPC Corporation, Taiwan (**CPC**). At this time, the majority of conditions required to close the transaction

have been satisfied, with CPC working diligently to satisfy the final condition, being the approval of the Foreign Investment Review Board (**FIRB**). While this process can take several months, the parties are targeting satisfaction of this final condition, and completion of the partial divestment in the upcoming quarter (Q3,2023). In the meantime, Carnarvon has been working with our partner, Santos, in preparation for CPC joining the Joint Venture.

The Bedout Sub-basin more broadly is proving to be one of the best exploration positions in Australia. For this reason, the Company has been progressively high grading its portfolio, and unsurprisingly focusing increasingly on its Bedout Sub-basin assets. The technical work being undertaken in the Bedout Sub-basin, in particular interpretation work on new 3D seismic in Exploration Permit WA-436-P (Carnarvon to hold 20% post CPC divestment), has identified significant and particularly exciting new oil and gas prospects. While the Phase 1 development is focused on monetizing the liquids in and around Dorado, the Joint Venture remains attentive to the future Phase 2 gas development, and ideally enhancing the size of the already discovered resource with new gas discoveries. At this time, a number of key gas prospects are being assessed in Exploration Permits WA-435-P (Carnarvon to hold 10% post CPC divestment) and WA-436-P.

In relation to the Company's progression of its renewable fuels venture, to date we see very strong interest domestically and internationally for biofuels, particularly in hard-to-abate sectors (like aviation and heavy transport). We have been focused on the technology required to process biomass

into renewable fuels, and are continuing to maintain a disciplined investment approach by ensuring the technology is sufficiently mature before committing further material capital. Positive progress has also been made securing the necessary quantity of pelletised feedstock for the first project in Narrogin, with the foundation biomass supply near final.

Finally, in relation to financial management matters, this quarter we reported a strong cash balance at the end of the quarter of A\$95 million and no debt. Closing the divestment to CPC is expected to increase our cash reserves to around A\$178 million and bring an additional US\$90 million (~A\$129 million) carry towards funding the Company's share of the Dorado development costs and other capital expenditures in the Company's Bedout assets. Following completion of the CPC divestment, the Company will be in a very strong position with around A\$310 million in liquidity (cash and development cost carry). Based on discussions with prospective financiers, we remain confident in the debt capacity for the balance of the Company's share of development costs for Dorado based on the latest cost estimates.

Dorado Development WA-64-L

(Carnarvon 20%; Santos is the Operator)

The Dorado field is located approximately 140 km north of Port Hedland in the Bedout Sub-basin with water depths of approximately 90 metres.

Dorado consists of four separate light oil and rich gas condensate accumulations, with high quality hydrocarbon fluids within excellent quality reservoirs.

The Dorado oil and gas field is planned to be developed through an initial oil phase (Phase 1) followed by gas export (Phase 2). The Phase 1 preliminary development assumes liquid handling rates of 100,000 barrels per day, gas capacity of 215 MMscf/d and consists of a 16 slot well head platform with a Floating Production, Storage and Offtake (**FPSO**) vessel handling oil and condensate stabilisation, storage and offloading, water treatment for disposal, gas dehydration, gas compression and reinjection. The preliminary development plan consists of ten development wells (6 oil producers, 2 gas producers and 2 gas injectors) for the initial Phase 1 development. Flexibility is retained for further infill drilling (up to 6 additional injectors and/or producers from the Wellhead Platform (**WHP**), plus subsea optionality) to optimise recovery of the field.

The Phase 2 gas export project will be optimised based on the extent and location of discovered resources in the Bedout Sub-basin at the time of development of those resources.

The recently approved Offshore Project Proposal provides flexibility to tie-back future discoveries to the Dorado facilities, such as the Pavo field discovered last year, which is a core component of the Phase 1 development concept. The Pavo field lies approximately 46km east of the Dorado field.

During the quarter, significant progress was made on the Pavo Assess Phase Study to

determine the preferred development for this field and to ensure that any requirements for modifications to the previously completed design for the Dorado FPSO, topsides and WHP are understood to allow for optimal tie-back.

The Pavo Assess Phase Study includes post well (Pavo-1) evaluations, Pavo subsurface modelling and Assess phase development concept engineering studies and cost estimating.

The study concluded that the recommended development option for the Pavo field is a tie-back to the Dorado facilities. The study also highlighted that a number of changes to the FPSO design will be needed to integrate Pavo and Dorado production over the life of the fields.

The Company also continued to make good progress on the necessary work to ensure that it has the required funding for its share of the Dorado Phase 1 development costs, which includes both debt financing and funding via the recent partial divestment to CPC.

The Company remains actively engaged with potential financiers, with the debt process well understood.

During the quarter the Company also announced that significant progress had been made on the agreement with CPC to divest a 10% equity in its Bedout assets for a total consideration of US\$146 million (refer to ASX announcements on 22 February 2023 and 10 July 2023). The majority of the conditions necessary for completion have already been met, with the final condition, being FIRB approval, making good, albeit slow, progress. The Company looks forward to announcing the

completion of the partial divestment shortly.

The Joint Venture has already commenced the process for on-boarding CPC into both the Production License WA-64-L and the four Exploration Permits, WA-435-P, WA-436-P, WA-437-P and WA-438-P.

Declaration of Location Pavo and Roc fields

(Carnarvon 20%-30%)

Locations were declared over the blocks containing the Roc field in Exploration Permit WA-437-P, and Pavo field in Exploration Permit WA-438-P, during the quarter (**Declaration of Location**).

The Declaration of Location process is the first step towards the Joint Venture applying for a Retention Lease, or Production Licence, in respect of either field.

Bedout Exploration WA-435,6,7&8-P

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

During the quarter, the final processed products for both the Archer and Keraudren Extension 3D surveys were received. These surveys were acquired in 2021 and 2022, targeting the same reservoir levels as the very successful Dorado and Roc oil and gas fields.

The Keraudren Extension 3D was acquired over two phases and completed the area between the Zeester 3D in the northern

section of WA-436-P and the Keraudren 3D, extending from WA-437-P into WA-438-P and the Pavo area.

Interpretation of the fully processed Keraudren Extension 3D commenced during the quarter, with initial results highlighting the areas to the north of Pavo. This section of the southern half of WA-436-P has only been interpreted using existing and sparse 2D data. The early results from this new high-quality 3D dataset are highlighting a significant number of excellent new prospects as well as improvements on prospects previously delineated only on the 2D dataset.

Considerable work was also undertaken over the quarter within the Joint Venture on a suitable renewal work program for the four Bedout Exploration Permits.

Due to significant activity above commitments and exploration spend over the initial exploration period, the Joint Venture has been able to successfully extend the initial six-year exploration period to a total of fourteen years.

The end of the initial period occurs later in 2023, and hence the Joint Venture has been busy preparing the required documentation to fulfil the renewal requirements and allow continuous exploration in all four Exploration Permits.

Renewable Fuels

(Carnarvon 50%)

The Company continues to advance its renewable diesel project in the Shire of Narrogin as part of its biofuels joint

venture, FutureEnergy Australia (**FEA**) (Carnarvon 50%).

Good progress continues to be made across all workstreams, with maturation of the technology required to process biomass into renewable diesel being the key focus in the quarter. Positive headway has also been made on securing the pelletised feedstock required for the Narrogin project, with the contract for the foundation biomass supply near final.

The Company continues to take a disciplined approach to this venture as it progresses the various elements required to establish the viability of the Narrogin project.

AC/P62

(Carnarvon 100%)

During the quarter, the Company applied to surrender Exploration Permit AC/P62. The application is currently being considered by the regulator.

AC/P63

(Carnarvon 100%)

On 30 June 2023 the regulator provided consent to the Company's application to surrender AC/P63. The surrender is expected to be formalised (and gazetted) in the next quarter.

TL-SO-T-19-14

(Carnarvon 100%)

The Company confirms that it has

relinquished the TL-SO-T-19-14 PSC, offshore Timor-Leste. The Company has also commenced the process to wind-up its Timor-Leste subsidiary.

WA-155-P

(Carnarvon 100%)

During the quarter the Company entered into a sale agreement with Skye Exploration Pty Ltd and Skye Resources Pty Ltd (**Skye Resources**) to divest the whole of its interest in Exploration Permit WA-155-P to Skye Resources for nominal consideration.

It is expected that the regulator will register the transfer of Exploration Permit WA-155-P from the Company to Skye Resources in the next quarter.

The exit of the aforementioned exploration permits highlights the Company's strategy to focus exploration activities going forward within it's highly prospective and proven Bedout Exploration Permits.

2023 Annual General Meeting

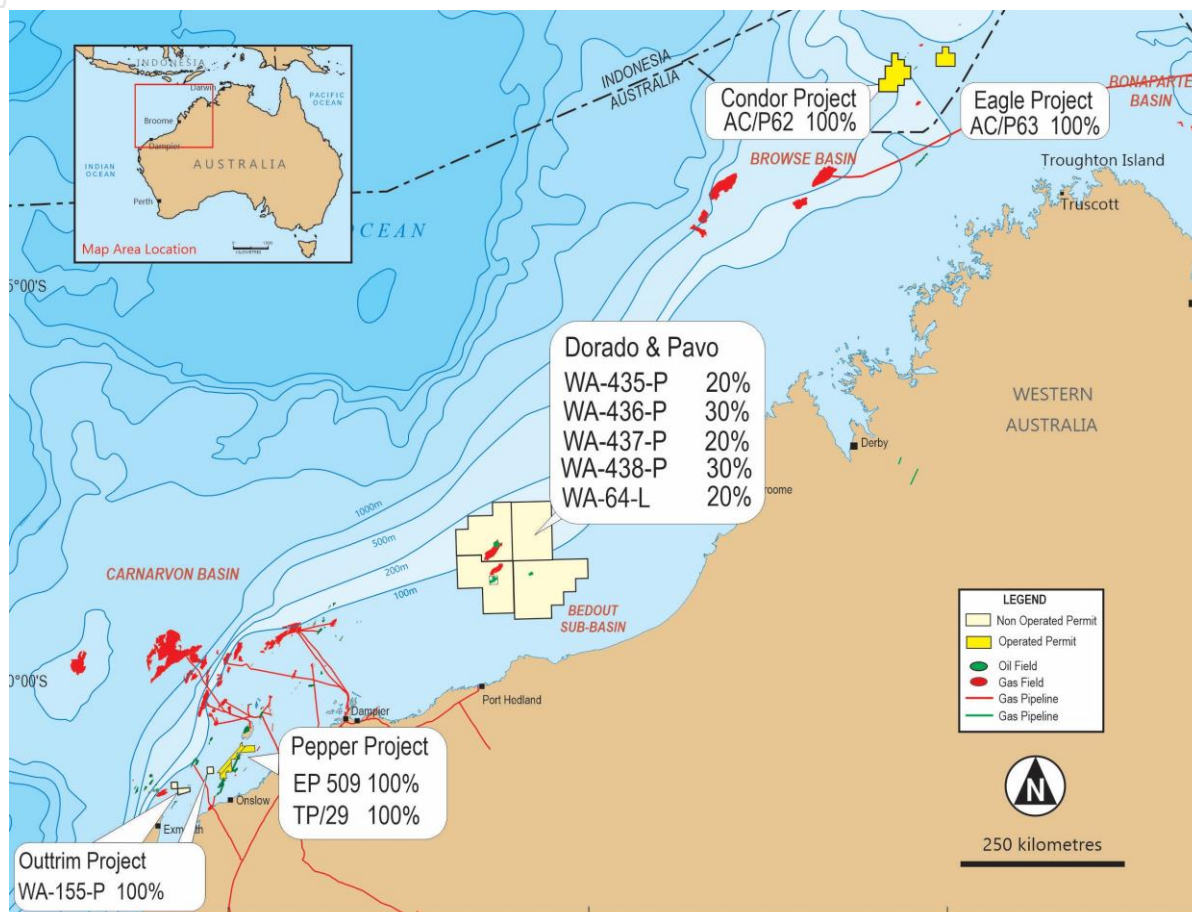
The 2023 Annual General Meeting is planned to be held on Friday 17 November 2023 at the Perth Convention and Exhibition Centre.

The closing date for receipt of nominations from persons wishing to be considered for election as a director is 28 September 2023.

Financial Analysis of selected items within Appendix 5B

Appendix 5B reference	ASX description reference	Carnarvon commentary
1.2 (a)	Exploration and evaluation costs expensed	These costs pertain to work undertaken on projects that are not applicable to an owned permit interest. Typically, these costs relate to regional geological assessments undertaken by Carnarvon's technical team which includes annual license costs.
1.2 (e)	Administration and corporate costs	This item includes costs for and associated with operating the Company's office, ASX listing fees, insurances, software licences, making corporate presentations and travel.
1.4	Interest received	Carnarvon holds a significant portion of its cash in term deposits which generate interest income during the year. Interest is recorded in the Appendix 5B when received, namely when deposits mature. Accordingly, the amount varies each quarter based on the interest rate, the amount on term deposit and the timing of the maturity of the term deposits.
2.1 (d)	Exploration and evaluation costs capitalised	During the quarter, Carnarvon incurred a net outflow of A\$1,466,000 on exploration and evaluation activities which primarily related to Pavo-1 and Apus-1 post well studies, Dorado FEED and Pavo integration workflows, and seismic processing over the Bedout permits.
2.5	Other	This item relates to Carnarvon's investment into the renewable diesel joint venture, FutureEnergy Australia.
3.1	Proceeds from exercise of options / ESP	Carnarvon has an Employee Share Plan (ESP) which was previously approved by shareholders. During the year, some employees paid the Company to retire some outstanding loans on their vested employee shares. The payments are reflected as cash received by the Company.
6.1	Payments to related parties and their associates	These costs pertain to remuneration for the Managing Director and Non-Executive Directors.
8.0	Future operating activities	For the upcoming quarter, Carnarvon has forecast A\$1.5-\$1.7 million expenditure in the Bedout Sub-basin and A\$1.3-\$1.5 million in corporate and other costs.

Project Map



Project Table

Project	Permit(s)	Operator	Interest held	Interest Change Q/Q
Bedout	WA-64-L	Santos	20%	-
Bedout	WA-435-P	Santos	20%	-
Bedout	WA-436-P	Santos	30%	-
Bedout	WA-437-P	Santos	20%	-
Bedout	WA-438-P	Santos	30%	-
Buffalo	TL-SO-T 19-14	Carnarvon Petroleum Timor	-	(100%)
Condor	AC/P62	Carnarvon Energy	100%	-
Eagle	AC/P63	Carnarvon Energy	100%	-
Outtrim	WA-155-P	Carnarvon Energy	100%	-
Pepper	EP 509 & TP/29	Carnarvon Energy	100%	-

Acronym	Definition
bopd	barrels of oil per day
bbls	barrels of oil
CVN	Carnarvon Energy Limited
JV	Joint Venture
km	Kilometres
km²	Square kilometres
m	Millions
Qtr	Quarter
Q/Q	Quarter on Quarter
Tcf	Trillion cubic feet (gas)
2D	Two-dimension seismic data
3D	Three-dimensional seismic data
MC3D	Multi-client 3D – seismic data acquired for multiple parties that require licensing
USD	United States of America dollar

Cautionary Statement

There are numerous uncertainties inherent in estimating reserves and resources, and in projecting future production, development expenditures, operating expenses and cash flows. Oil and gas reserve engineering and resource assessment must be recognised as a subjective process of estimating subsurface accumulations of oil and gas that cannot be measured in an exact way.

Prospective resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project and may relate to undiscovered accumulations. These prospective resource estimates have an associated risk of discovery and risk of development. Further exploration and appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Resources

All contingent and prospective resources presented in this report are prepared as at 2 May 2022, 30 June 2022 and 4 October 2022 (refer ASX releases dated 2 May 2022, 17 August 2022, 31 August 2022, 4 October 2022 and 18 November 2022). The estimates of contingent and prospective resources included in this report have been prepared in accordance with the definitions and guidelines set forth in the SPE-PRMS and have been prepared using probabilistic methods.

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

Competent Person Statement Information

The resource estimates outlined in this report were compiled by Carnarvon's Chief Operating Officer, Mr Philip Huizenga, who is a full-time employee of the company.

Mr Huizenga has over 25 years' experience in petroleum exploration and engineering. Mr Huizenga holds a Bachelor's Degree in Engineering, 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.

Forward Looking Statements

This report contains certain "forward-looking statements", which can generally be identified by the use of words such as "will", "may", "could", "likely", "ongoing", "anticipate", "estimate", "expect", "project", "intend", "plan", "believe", "target", "forecast", "goal", "objective", "aim", "seek" and other words and terms of similar meaning. Carnarvon cannot guarantee that any forward-looking statement will be realised. Achievement of anticipated results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. You should bear this in mind as you consider forward-looking statements, and you are cautioned not to put undue reliance on any forward-looking statement.

Appendix 5B

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

Name of entity

CARNARVON ENERGY LIMITED

ABN

60 002 688 851

Quarter ended ("current quarter")

30 June 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(325)	(953)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(938)	(3,781)
	(e) administration and corporate costs	(479)	(2,851)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	914	2,930
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(828)	(4,655)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(4)	(9)
	(d) exploration & evaluation	(1,466)	(13,646)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(61)	(156)
2.6	Net cash from / (used in) investing activities	(1,531)	(13,811)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	177
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(56)	(221)
3.10	Net cash from / (used in) financing activities	(56)	(44)

4.	Net increase / (decrease) in cash and cash equivalents for the period	Current quarter \$A'000	Year to date (12 months) \$A'000
4.1	Cash and cash equivalents at beginning of period	97,237	112,425
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(828)	(4,655)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,531)	(13,811)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(56)	(44)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	479	1,386
4.6	Cash and cash equivalents at end of period	95,301	95,301

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	8,309	10,079
5.2	Call deposits	86,992	87,158
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	95,301	97,237

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	282
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

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

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(828)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,531)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(2,359)
8.4 Cash and cash equivalents at quarter end (item 4.6)	95,301
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	95,301
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	40.4
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: n/a	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: n/a	

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

Answer: n/a

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

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

Date: 24 July 2023

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

Notes

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