

BUILDING ON DORADO SUCCESS



Managing Directors' comments.

With the 2021 year coming to an end, Carnarvon has commenced a period of intense exploration activity which has the potential to build upon the value created by the landmark Dorado development.

Carnarvon commenced drilling the Buffalo-10 well in Timor-Leste in late 2021, with the total depth being reached following the end of the quarter. Completion of wireline logging operations confirmed the oil column, which was intersected while drilling, was residual and uncommercial.

Carnarvon's exposure to the well was mitigated by a free carry for the first US\$20m of the Buffalo-10 well costs and a farm-down of a 50% interest in the project.

The forward drilling campaign has two high impact wells in the near term in the Pavo-1

Quarter Highlights

- **World class Dorado liquids development progressing to Final Investment Decision in mid-2022.**
- **High impact Pavo-1 and Apus-1 Bedout exploration wells to commence in early 2022.**
- **Renewable diesel project moves in on FEED commencement.**

and Apus-1 exploration wells drilling in the Bedout basin in Western Australia

The Pavo-1 well is currently expected to commence in February 2022.

In close proximity to the Dorado field, these exploration wells are very attractive prospects not only due to their potential resource size but also the opportunity they present to materially increase the aggregate development resource for the Dorado field if successful.

The Pavo-1 well is targeting a mean recoverable volume of 82 million barrels of liquids and 108 cubic feet of gas (refer to ASX announcement on 16 December 2021).

Pavo-1 will test the Caley and Crespin intervals which were intercepted in the nearby Dorado field. The well is also

expected to drill deeper to acquire geological information on two deeper intervals which could unlock further prospectivity in this proven and exciting basin.

The Apus-1 well will immediately follow the Pavo-1 well and is targeting a mean recoverable volume of 235 million barrels of liquids and 408 billion cubic feet of gas (refer to ASX announcement on 16 December 2021). The well will target the Caley and Milne intervals, also intersected in the nearby Dorado field.

Significant progress has also been made on the Dorado liquids development which continued to progress Front-End Engineering and design (“FEED”) activities during the quarter.

The Dorado development is targeting an initial daily gross oil production rate of between 75,000 and 100,000 barrels in which Carnarvon holds a 20% interest. This level of production will be transformational for the company and the project is moving towards its signature moment in terms of making the Final Investment Decision around mid-2022.

In parallel, the Company has also advanced its renewable diesel project with a letter of intent now signed with a leading EPC firm to commence early works on the detailed design of the facility ahead of the signing of the FEED contract.

Carnarvon is excited to progress this project with an objective of having earnings (with further oil price linked exposure in the renewable diesel) ahead of first production at Dorado. The project also provides a tangible pathway to minimise the Company’s future emissions intensity.



Image of jack-up drilling rig preparing for operations

Dorado Development WA-437-P

(Carnarvon 20%; Santos is the Operator)

Front-End Engineering and Design (“FEED”) activities for the Dorado oil development continued during the Quarter. The progress to date has meant that the joint venture is still on target for a Final Investment Decision (“FID”) around mid-2022.

Along with the significant engineering work that is being undertaken with the Wellhead Platform (“WHP”) and Floating Production, Storage and Offloading (“FPSO”) contractors, ongoing engagement with the regulator on relevant approvals also continues in parallel.

For the FPSO, where a contract was awarded to Altera Infrastructure Production AS in the previous quarter, work continues in order to progress the full definition engineering to refine the technical

requirements for the FPSO and associated disconnectable mooring system.

Similarly detailed design work is being undertaken by Sapura Energy, who were awarded the contract to design and build the WHP.

Connecting the Dorado reservoirs to the FPSO will be 10 wells planned to be drilled from the WHP. Detailed design for these wells has allowed the tendering of wellheads and completion equipment in preparation for development drilling in the near future.

Looking further ahead, work is also ongoing around planning in-field hook-up and completion activities planned for late 2025 to early 2026 to allow for initial production from the facilities.

The Dorado facility is targeting an oil production rate of between 75,000 to 100,000 barrels per day. The facilities will also contain flexibility to support nearby future exploration success.

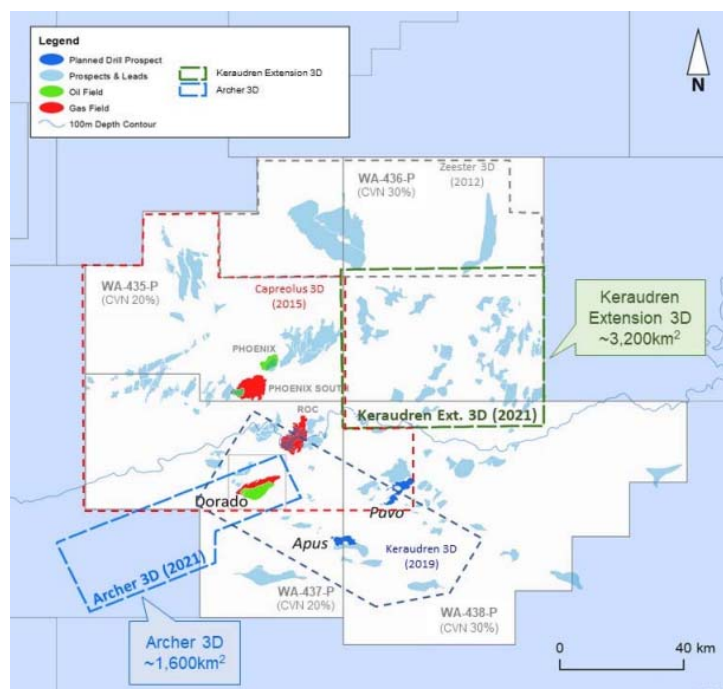
In conjunction with its financial advisors, Carnarvon has advanced its process with financiers for the purpose of funding the development. There continues to be strong market interest in the project, particularly due to the robust economics of the field.

Bedout Exploration

WA-435,6,7&8-P

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

During the quarter, planning to progress the exploration potential of the Bedout basin was materially advanced with the



Locations of the Pavo and Apus prospects, and the Archer and Keraudren Extension 3D surveys

joint venture close to commencing the Pavo-1 and Apus-1 wells.

The Nobel Tom Prosser jack-up drilling rig has been contracted to drill these exciting Bedout basin wells following the completion of its current operations which are located in the Carnarvon Basin.

On current planning, Pavo-1 is scheduled to commence in February 2022. The Pavo-1 well will target the primary Caley to Crespian interval, similar to that intersected in the nearby Dorado field. It is then expected to drill deeper to acquire geological information on two deeper intervals to provide enhanced understanding of the broader basin potential.

Pavo-1 is located within the WA-438-P permit in 88m of water and is targeting a mean recoverable volume of 82 million barrels of liquids and 108 cubic feet of gas

(refer to ASX announcement on 16 December 2021).

Immediately following the completion of the Pavo-1 well, scheduled to take approximately two months, the rig will move around 20 kilometres to the south-west to drill the Apus-1 well.

The Apus-1 well will target the Caley and Milne intervals, also similar to those intersected in the Dorado field and is anticipated to take just over a month to complete.

Apus-1 is located within the WA-438-P permit in 84m of water and it is targeting a mean recoverable volume of 235 million barrels of liquids and 408 billion cubic feet of gas (refer to ASX announcement on 16 December 2021).

Due to their proximity to the Dorado development, both prospects have tie-back potential. Resources capable of being tied-back to existing infrastructure provide significantly enhanced economic outcomes, minimize additional capital investment requirements and shorten time periods to first production from the tie-back fields.

The Joint Venture also continued its work in identifying the further exploration potential of the highly prospective Bedout basin. This includes planning to acquire additional 3D seismic data and continued interpretation of the Keraudren Extension 3D ("KE-3D") and Archer 3D seismic survey acquisitions which were completed in the previous quarters.

The K3D survey, in particular, successfully acquired an additional ~2,600km² over the basin. This area included the southern portion of WA-436-P and the northern portion of WA-438-P which contains a large

series of approximately 50 prospects and leads, with many stacked targets, in a diverse range of plays and with direct access to the interpreted hydrocarbon source kitchens.

The prospects and leads had previously been identified on 2D seismic data and are expected to be enhanced by the improved structural and stratigraphic images resulting from the 3D seismic technology.

Given the higher density of data, it is likely to result in the identification of a greater number of prospects and leads.

The joint venture is planning to complete the acquisition of 3D seismic data in the WA-436-P permit with the commencement of further Keraudren extension data planned for 1Q 2022.

Buffalo Project Timor-Leste TL-SO-T-19-14

(Carnarvon 50% and Operator)

Following the end of the quarter, the Buffalo-10 well was drilled to a total depth of around 3,415 meters Measured Depth ("MD") in the 8 ½" hole section.

The top Elang reservoir was intersected at depth of around 3,338 meters MD, which was approximately 80 metres low to prognosis and outside the pre-drill range of expectations.

Interpretation from the logging while drilling tools and drilling information was that an approximate 12 metre gross oil column was encountered.

In addition, wireline logging operations were completed with the oil column being deemed to be residual and uncommercial.

This information indicates that the seismic processing techniques employed on this project did not resolve the underlying seismic velocity distortion or imaging resolution issues that are present in this field.

The forward plan for the Buffalo-10 well is to leave the well in a safe condition and demobilise the rig.

Carnarvon is pleased to report that our first offshore well as operator was drilled safely and without environmental incident. This is a credit to Carnarvon's operation team and the well engineering team at Petrofac.

Following the completion of a farm-out of a 50% interest to Advance Energy Plc ("Advance"), Advance have funded the first US\$20m of the drilling of the Buffalo-10 well on a free carry basis.

Renewable Fuels

(Carnarvon 50%)

Carnarvon continues to advance its renewable diesel project with joint-venture partner Frontier Impact Group ("FIG").

Carnarvon's objective is to build a material carbon neutral renewable diesel production operation in Western Australia and in doing so enhance Carnarvon's current business exposure to strengthening oil prices.

The venture also has the potential to displace up to 170,000 tonnes of carbon emissions annually per production plant, with the opportunity to create carbon

negative operations. This project will be an important element to Carnarvon achieving its net zero emissions by 2050 commitment.

The joint venture plans to use internationally based technology to process waste lignocellulosic biomass as a feedstock and produce renewable diesel, high-quality biochar and wood vinegar.

Towards the end of the quarter, the joint venture signed an LOI with a leading EPC firm to commence early works on the detailed design of the first facility ahead of the signing of the FEED contract.

In parallel, the site for the first project is expected to be selected in the March 2022 quarter, in addition to the signing of the first feedstock contract.

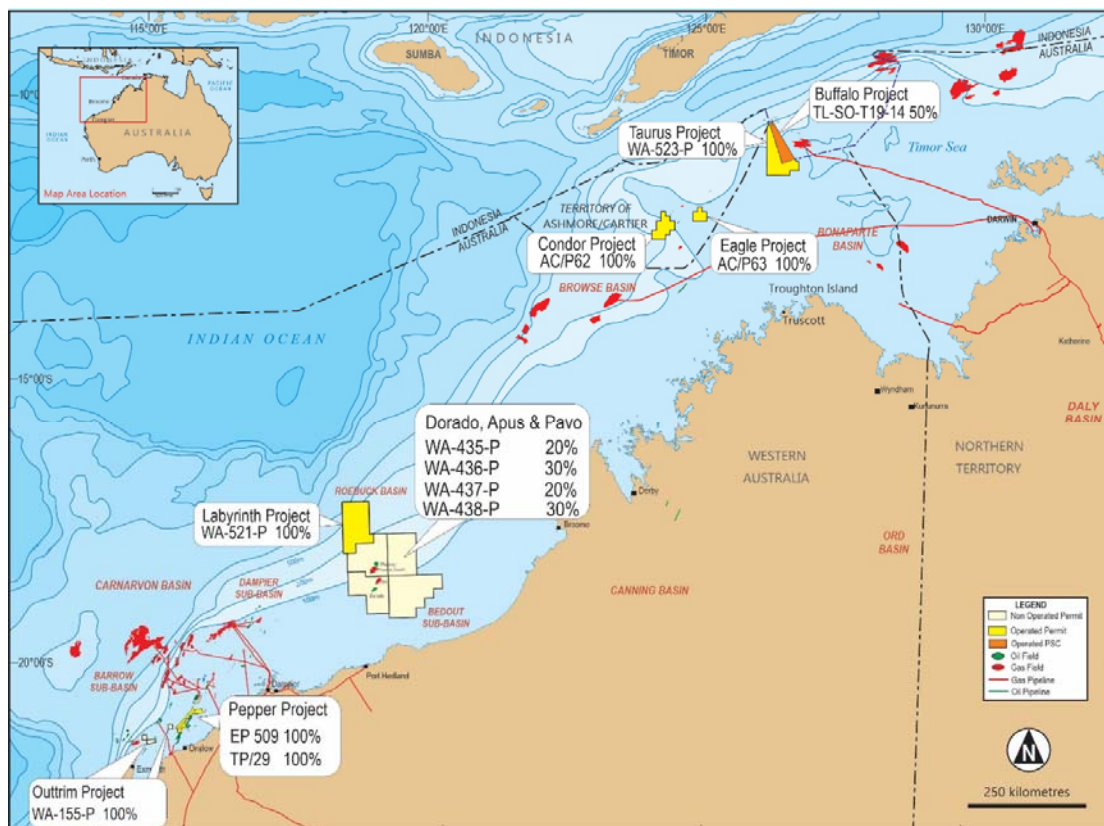
Offtake agreements for renewable diesel are also progressing, with significant interest received for the product domestically. Late last quarter, samples of renewable diesel were tested against Australian and Caterpillar standards. The testing confirmed the renewable diesel has a higher cetane rating compared to conventional diesel, meaning it burns cleaner with lower emissions.

The biorefinery is expected to be the first in Australia to produce renewable diesel at scale commercially, with production from each plant anticipated to be around 18 million litres/year. Production from the first biorefinery is targeted for 2023 and is expected to take advantage of improving oil prices to which the renewable diesel price is linked.

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 exploration software and 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\$6.1 million on exploration and evaluation activities which primarily related to Dorado FEED workflows and seismic acquisition over the Bedout permits.
2.1 (e)	Investments	This item relates to funds contributed by Carnarvon towards the Buffalo incorporated joint venture. These funds are utilised towards drilling the Buffalo-10 well, ongoing geological studies, and general and administrative expenditure for the Timor-Leste entity.
2.5	Other	This item relates to Carnarvon's investment into the renewable diesel joint venture. These funds are intended to enable the project to reach a Final Investment Decision by conducting Front End Engineering and Design activities for the first biorefinery project.
3.3 (e)	Proceeds from exercise of options / ESP	Carnarvon has an employee share plan ("ESP") which is approved by shareholders. During the quarter, some staff members 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 payments to Directors, most particularly remuneration for the Managing Director and fees for the Company's Non-Executive Directors.
8.0	Future operating activities	For the upcoming quarter, the Company has forecasted A\$4.0-\$4.2 million in Dorado FEED expenditure, A\$7.9-\$8.1 million in exploration drilling costs relating to the Pavo-1 well and A\$1.3-\$1.4 million in corporate costs.

Project Map



Project Table

Project	Permit(s)	Operator	Interest held	Interest Change Q/Q
Phoenix	WA-435-P	Santos	20%	-
Phoenix	WA-436-P	Santos	30%	-
Phoenix	WA-437-P	Santos	20%	-
Phoenix	WA-438-P	Santos	30%	-
Buffalo	TL-SO-T 19-14	Carnarvon Petroleum	50%	-
Taurus	WA-523-P	Carnarvon Petroleum	100%	-
Labyrinth	WA-521-P	Carnarvon Petroleum	100%	-
Condor	AC/P62	Carnarvon Petroleum	100%	-
Eagle	AC/P63	Carnarvon Petroleum	100%	-
Outtrim	WA-155-P	Carnarvon Petroleum	100%	-
Pepper	EP 509 & TP/29	Carnarvon Petroleum	100%	-

Acronym	Definition
Bopd	Barrels of oil per day
Bbls	Barrels of oil
CVN	Carnarvon Petroleum 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 30 June 2021 and 16 December 2021 (Reference: CVN ASX releases of at 30 August 2021 and 16 December 2021). The estimates of contingent and prospective resources included in this announcement have been prepared in accordance with the definitions and guidelines set forth in the SPE-PRMS and have been prepared using probabilistic methods.

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

Competent Person Statement Information

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

Mr Huizenga has over 25 years' experience in petroleum exploration and engineering. Mr Huizenga holds a Bachelor Degree in Engineering, a Masters Degree in Petroleum Engineering and is a member of the Society of Petroleum Engineers. Mr Huizenga is qualified in accordance with ASX Listing Rules and has consented to the form and context in which this statement appears.

Forward Looking Statements

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

Appendix 5B

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

Name of entity

CARNARVON PETROLEUM LIMITED

ABN

60 002 688 851

Quarter ended ("current quarter")

31 DECEMBER 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(96)	(286)
(b) development	-	-
(c) production	-	-
(d) staff costs	(344)	(1,540)
(e) administration and corporate costs	(988)	(2,011)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	204	238
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	(1,224)	(3,599)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(15)	(18)
(d) exploration & evaluation	(6,154)	(13,794)
(e) investments	(2,497)	(2,497)
(f) other non-current assets	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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)	(2,592)	(2,592)
2.6	Net cash from / (used in) investing activities	(11,258)	(18,901)

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	636	997
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)	(67)	(113)
3.10	Net cash from / (used in) financing activities	569	884

4.	Net increase / (decrease) in cash and cash equivalents for the period	Current quarter \$A'000	Year to date (6 months) \$A'000
4.1	Cash and cash equivalents at beginning of period	89,439	98,435
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,224)	(3,599)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11,258)	(18,901)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	569	884

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(269)	438
4.6	Cash and cash equivalents at end of period	77,257	77,257

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	26,499	24,115
5.2	Call deposits	50,758	65,324
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)	77,257	89,439

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	268
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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
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)	(1,224)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(11,258)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(12,482)
8.4 Cash and cash equivalents at quarter end (item 4.6)	77,257
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	77,257
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	6.2
<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	

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

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: 31 January 2022

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.