CARNARVON ENERGY LIMITED
(Formerly CARNARVON PETROLEUM LIMITED)
ABN 60 002 688 851
AND CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
31 December 2021

CORPORATE DIRECTORY

Directors
WA Foster (Chairman)
AC Cook (Managing Director)
PS Moore (Non-Executive Director)
SG Ryan (Non-Executive Director)
D Bakker (Non-Executive Director)

Company Secretary
TO Naude
A Doering

Auditors
Ernst & Young

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

Registered Office
Level 2
76 Kings Park Road
West Perth WA 6005

Telephone:	+61 8 9321 2665
Facsimile:	+61 8 9321 8867
Email:	admin@cvn.com.au
Website:	www.carnarvon.com.au

Share Registry
Link Market Services Limited
Level 12, QV1 Building
250 St Georges Terrace
Perth, WA 6000 Australia

Investor Enquiries:	1300 554 474 (within Australia)
Investor Enquiries:	+61 1300 554 474 (outside Australia)
Facsimile:	+61 2 9287 0303

Stock Exchange Listing
Securities of Carnarvon Energy Limited are listed on the Australian Securities Exchange.
ASX Code: CVN - Ordinary shares

CONTENTS

DIRECTORS' REPORT

The directors present their report together with the consolidated interim financial report for the half-year ended 31 December 2021, and the independent review report thereon.

The Company changed its name during the period from Carnarvon Petroleum Limited to Carnarvon Energy Limited.

Directors

The directors of the Company in office at any time during or since the end of the half-year are as follows. Directors were in office for this entire period unless otherwise stated.

William (Bill) Foster
Adrian Cook
Peter Moore
Stephen (Gavin) Ryan
Debra Bakker

Review of Operations

The Group's operations comprise of oil and gas exploration in Australia and Timor-Leste with the Group's main interests located in the North-West Shelf of Western Australia and in the Timor Sea.

Dorado - Development

The Company has made significant progress on its flagship Dorado liquids development, which commenced Front-End Engineering and Design ("FEED") activities prior to the commencement of this period. This included the Dorado joint venture awarding the FEED contract for the Floating Production, Storage and Offloading ("FPSO") facility and the Wellhead Platform ("WHP") to Altera Infrastructure and Sapura Energy respectively.

During the period, work was progressed on the full definition engineering to confirm the technical requirements for the FPSO and associated disconnectable mooring system. In addition, detailed design work is being undertaken on the WHP, which will be a remotely operated, unmanned installation located in 90 meters water depth over the Dorado field.

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.

The Dorado facility is targeting an initial daily gross oil production rate of between 75,000 and 100,000 barrels, which makes it a world class asset capable of providing significant returns for shareholders. Dorado is scheduled for a Final Investment Decision ("FID") in mid-2022.

Pavo-1 and Apus-1 – Exploration Drilling

Importantly, there is also a significant amount of tie-in potential close to the Dorado development. Planning to test this potential was significantly advanced during the period with the Pavo-1 well commencing in February 2022, which will be immediately followed by the Apus-1 well.

Within close proximity to the Dorado field, the Pavo-1 and Apus-1 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.

Biorefinery Venture

During the period, the Company outlined its commitment to achieving net zero emissions by 2050, if not earlier. Whilst the Company remains focused on delivering value through the Dorado field and nearby exploration, the Company recognises the global challenge of climate change and the action required to transition to a lower carbon environment.

As part of this commitment, the Company formed a joint venture to pursue a biorefinery venture to produce renewable diesel and other highly valuable products. The project also has the potential to produce Australian Carbon Credit Units ("ACCUs").

Material progress was made on the biorefinery project, with the project commencing FEED in January 2022. The objective of this project is to have 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 reduce the carbon intensity of the Company's portfolio.

Buffalo-10 – Exploration Drilling

Towards the end of the period, the Company commenced drilling the Buffalo-10 well in Timor-Leste. The total depth for the well of 3,415 meters Measured Depth ("MD") was reached in January 2022. The top Elang reservoir was intersected at a depth of around 3,338 meters MD, which was approximately 80 meters low to prognosis and outside the pre-drill range. Wireline logging operations deemed the field to be uncommercial.

Following a successful farm-out of a 50% interest in the Buffalo project in early 2021, the Company was free-carried for the first US$20 million of the Buffalo-10 well costs.

Financial Review

The Group's loss after tax from continuing operations for the half year ended 31 December 2021 was $43,819,000 (2020: $4,253,000).

The Company recognised a $23,821,000 (2020: nil) loss primarily in relation to its share of the Buffalo joint venture. This amount relates to the Company's share of the exploration and evaluation expenditure write-off in the Buffalo joint venture. As the Company was free carried for the first US$20 million dollars of Buffalo-10 well costs, this does not reflect the cash outlay by the Company during the period.

Following the completion of the Buffalo-10 well, the Company has written-off its remaining investment in the Buffalo joint venture. This write-off of $7,833,000 (2020: nil), does not reflect the cash outlay by the Company on the project as it primarily relates to the write-off of fair value uplift related to the farm-out of 50% interest in the project in the prior period.

Previously capitalised exploration expenditure of $8,698,000 (2020: nil) in relation to the WA-521-P, WA-523-P, WA-155-P, AC/P62 and AC/P63 permits was also written off in the current period. This position was taken because it is not certain that these costs will be recovered, particularly as the Company focuses its resources on the proven and highly prospective Bedout basin, which contains the Dorado development.

The Company capitalised an additional $13,510,000 (30 June 2021: $9,335,000) in exploration and appraisal expenditure during the period. These costs were primarily related to the Dorado FEED activities, Pavo-1 and Apus-1 exploration well planning and interpretation of the 3D seismic acquisition over the Dorado and surrounding exploration areas.

The Company has recognised $2,393,000 in relation to its investment in the biorefinery joint venture. The Company's investment is intended to enable the project to reach FID by conducting FEED activities for the first biorefinery project.

The Company's administrative and head office costs during the period were $1,159,000 (2020: $1,280,000). Employee benefits of $1,070,000 (2020: $272,000) were incurred during the period which includes the recognition of grants under the new performance rights scheme and staff redundancies. There was also an unrealised gain on foreign exchange movements of $463,000 (2020: loss: $1,586,000) due to the depreciation of the AUD against the Company's USD cash and financial assets. The Company manages its cash position in US Dollars and Australian Dollars to naturally hedge its foreign exchange exposures.

Subsequent events

On 24 January 2022, wireline logging operations during the Buffalo-10 well were completed, confirming that the Buffalo field was uncommercial.

Other than the above, no matter or circumstance has arisen since 31 December 2021 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 of amounts

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 these interim financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Auditors' Independence Declaration

The lead auditors' Independence Declaration, as required under section 307C of the Corporations Act 2001, is set out on page 7 and forms part of this directors' report for the half-year ended 31 December 2021.

Signed in accordance with a resolution of the directors.

W Foster
Director
Perth
25 February 2022

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

As lead auditor for the review of the half-year financial report of Carnarvon Energy Limited for the half-year ended 31 December 2021, 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 review;

b) No contraventions of any applicable code of professional conduct in relation to the review; and

c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

T S Hammond
Partner
25 February 2022

TH:LT:CVN:011

CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 December 2021

	Note	Half-year 31 December 2021 $000	Half-year 31 December 2020 $000
Other income	5	237	353
Unrealised foreign exchange gain/(loss)		463	(1,586)
Administrative expenses		(1,159)	(1,280)
Employee benefits expense		(1,070)	(272)
Directors' fees		(233)	(240)
New venture and advisory expenditure		(802)	(867)
Exploration expenditure written off	7	(8,968)	-
Movement in fair value of financial assets	6	(607)	(361)
Share of loss on Joint ventures	9	(23,821)	-
Investment in Joint Venture written off	9	(7,833)	-
Loss on sale of other financial assets	6	(26)	-
Loss before tax from continuing operations		(43,819)	(4,253)
Income tax expense		-	-
Net loss after tax from continuing operations		(43,819)	(4,253)
Net loss for the period attributable to members of the entity		(43,819)	(4,253)
Loss per share:			
Basic, loss per share for the period attributable to members of the entity (cents per share)		(2.80)	(0.27)
Diluted, loss per share for the period attributable to members of the entity (cents per share)		(2.80)	(0.27)

The consolidated income statement should be read in conjunction with the notes to the consolidated interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 December 2021

	Half-year 31 December 2021 $000	Half-year 31 December 2020 $000
Net loss for the period	(43,819)	(4,253)
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences arising on translation of foreign operations	-	(192)
Total other comprehensive loss net of tax	(43,819)	(4,445)
Total comprehensive loss for the period attributable to members of the entity	(43,819)	(4,445)

The consolidated statement of comprehensive income should be read in conjunction with the notes to the consolidated interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2021

	Notes	31 December 2021 $000	30 June 2021 $000
Current assets			
Cash and cash equivalents		77,257	98,436
Trade and other receivables		434	351
Other assets		791	728
Total current assets		78,482	99,515
Non-current assets			
Property, plant and equipment		111	128
Other financial assets	6	627	1,339
Exploration and evaluation expenditure	7	134,042	129,500
Right-of-use assets		491	593
Investment in joint ventures	9	2,393	26,199
Total non-current assets		137,664	157,759
Total assets		216,146	257,274
Current liabilities			
Trade and other payables		2,876	1,310
Employee benefits		593	604
Lease liabilities		212	203
Total current liabilities		3,681	2,117
Non-current liabilities			
Employee benefits		129	202
Lease liabilities		331	441
Total non-current liabilities		460	643
Total liabilities		4,141	2,760
Net assets		212,005	254,514
Equity			
Issued capital		246,726	246,268
Reserves		474	(378)
Accumulated (losses)/gain		(35,195)	8,624
Total equity		212,005	254,514

The consolidated statement of financial position should be read in conjunction with the notes to the consolidated interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 December 2021

	Issued capital $000	Reserve shares $000	Accumulated losses $000	Translation reserve $000	Share based payments reserve $000	Total $000
Balance at 1 July 2020	245,856	(7,820)	(8,512)	26	7,108	236,658
Comprehensive loss for the period	-	-	(4,253)	(192)	-	(4,445)
Total comprehensive loss for the half year	-	-	(4,253)	(192)	-	(4,445)
Transactions with owners and other transfers						
Proceeds from options	150	-	-	-	-	150
Exercise of ESP shares	262	182	-	-	-	444
Total transactions with owners and other transfers	412	182	-	-	-	594
Balance at 31 December 2020	**246,268**	**(7,638)**	**(12,765)**	**(166)**	**7,108**	**232,807**
Balance at 1 July 2021	**246,268**	**(7,638)**	**8,624**	**152**	**7,108**	**254,514**
Comprehensive loss for the period	-	-	(43,819)	-	-	(43,819)
Total comprehensive loss for the half year	-	-	(43,819)	-	-	(43,819)
Transactions with owners and other transfers						
Share based payments	-	-	-	-	313	313
Exercise of ESP shares	458	539	-	-	-	997
Total transactions with owners and other transfers	458	539	-	-	313	1,310
Balance at 31 December 2021	**246,726**	**(7,099)**	**(35,195)**	**152**	**7,421**	**212,005**

The consolidated statement of changes in equity should be read in conjunction with the notes to the consolidated interim financial report.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 December 2021

	Half-year 31 December 2021 $000	Half-year 31 December 2020 $000
Cash flows from operating activities		
Payments to suppliers and employees	(3,838)	(2,750)
Interest received	238	346
Net cash flows used in operating activities	(3,600)	(2,404)
Cash flows from investing activities		
Exploration and evaluation expenditure	(13,794)	(4,293)
Acquisition of property, plant and equipment	(18)	(79)
Investment in joint ventures	(5,089)	-
Net cash flows used in investing activities	(18,901)	(4,372)
Cash flows from financing activities		
Proceeds from exercise of options	-	150
Proceeds from exercise of ESP shares	997	444
Lease payments	(113)	(108)
Net cash provided by financing activities	884	486
Net decrease in cash and cash equivalents	(21,617)	(6,290)
Cash and cash equivalents at beginning of the half-year	98,436	113,632
Effects of exchange rate fluctuations on cash and cash equivalents	438	(1,579)
Cash and cash equivalents at end of the half-year	77,257	105,763

The consolidated statement of cash flows should be read in conjunction with the notes to the consolidated interim financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Carnarvon Energy Limited ("Carnarvon") is a company domiciled in Australia.

The consolidated interim financial report as at and for the six months ended 31 December 2021 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled assets.

The 31 December 2021 interim financial statements were authorised for issue by the board of directors on 25 February 2022.

2. Basis of preparation

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made during the half year.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for financial assets which are measured at fair value. All amounts are presented in Australian dollars, unless otherwise noted.

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 this interim financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. New and amended accounting standards and interpretations

The Group has applied the amendments to the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half year that are relevant to the Group are:

- *AASB 2020-8 Amendments to Australian Accounting Standards- Interest Rate Benchmark Reform- Phase 2*
- *AASB 2020-5 Amendments to AASs-Insurance Contracts*

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Contingent assets and liabilities

There were no contingent assets and liabilities as at 31 December 2021.

5. Other income

	31 December 2021 $000	31 December 2020 $000
Finance income on bank deposits	245	346
Net (loss)/gain on foreign currency transactions	(8)	7
Balance at end of financial period	237	353

6. Other financial assets

	31 December 2021 $000	30 June 2021 $000
Financial assets	627	1,339

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

	31 December 2021 $000	30 June 2021 $000
Carrying value at the beginning of period	1,339	1,037
Fair value movements	(607)	302
Disposal of financial assets	(105)	-
Carrying value at the end of period	627	1,339

On 6 September 2017, CapAllianz Holdings (formerly Loyz Energy Limited) ("CapAllianz") 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 CapAllianz in 2014. As part of the settlement, Carnarvon is also entitled to 12% of any sale proceeds over US$45m, should CapAllianz sell the Concessions.

During the reporting period, Carnarvon disposed of 26,426,200 shares at S$ 0.003 /share.

The shares in CapAllianz held by Carnarvon at 31 December 2021 were measured using the quoted price on the Singapore Stock Exchange and have been accounted for as a fair value through profit and loss financial asset under Australian Accounting Standards and classified as a "level 1" financial asset under the fair value hierarchy. There were no transfers between the fair value hierarchy levels during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Exploration and evaluation expenditure

	31 December 2021 $000	30 June 2021 $000
Carrying value at the beginning of period	129,500	122,622
Additions	13,510	9,335
Derecognition on loss of control of subsidiary	-	(2,171)
R&D refundable tax offset	-	(286)
Exploration expenditure written off	(8,968)	-
Carrying value at the end of period	134,042	129,500

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 WA-523-P, WA-521-P, WA-155-P, AC/P62 and AC/P63 permits. With consideration of AASB 6, with no substantive expenditure planned on these permits and the unlikely ability to achieve value on these permits through a development or farm-out, the Company has performed an impairment assessment and formed the view that capitalised exploration expenditure relating to above permits are impaired and should be written off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Equity securities issued

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in plan shares for the six-month period to 31 December 2021 and for the year to 30 June 2021:

	Number December 2021	**WAEP December 2021**	**Number June 2021**	**WAEP June 2021**
Outstanding at beginning of period/year	52,504,005	0.27	57,392,934	0.25
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	7,294,446	0.13	4,888,929	0.09
Expired during the year	-	-	-	-
Outstanding at end of period/year	45,209,559	0.29	52,504,005	0.27
Exercisable at end of period/year	45,209,559	0.29	52,504,005	0.27

Shares granted under the previous Employee Share Plan ("ESP") are accounted for as "in-substance" options due to the limited recourse nature of the loan between the employees and the Company to finance the purchase of ordinary shares. There were no ESP shares issued during the period.

The following table illustrates the balance and valuation of performance rights as at 31 December as follows:

Instrument	**Date granted**	**Vesting period**	**Exercise price**	**Number of instruments**	**Weighted Fair value at grant date**
Performance rights - LTIP	01/07/ 2021	3 years	Nil	2,716,560	0.19
Performance rights - STIP	01/07/ 2021	1 year	Nil	403,110	0.26
Performance rights - LTIP	12/11/ 2021	3 years	Nil	2,179,724	0.24
Performance rights - STIP	12/11/ 2021	1 year	Nil	544,931	0.33
Total				**5,844,325**	

Performance rights granted during the period under the Long-Term Incentive Plan ("LTIP") have been valued using a Monte Carlo Simulation with a risk-free rate of 0.1% and a share price volatility of 50.3%. Performance rights granted under the Short-Term Incentive Plan ("STIP") have been valued using the share price at grant date.

Under the terms of the Employee Share Incentive Plan (Plan) which was last approved by shareholders of the Company on 11 November 2020, performance rights can be granted to eligible employees for no consideration. Entitlements under these awards vest as soon as the associated vesting conditions have been met. Awards can be settled in cash at the absolute discretion of the Company. Awards under the Plan carry dividends and voting rights.

Performance rights awarded under the STIP are granted for a 12-month period. The vesting condition requires the employee to remain employed by the Company until 30 June 2022.

Performance rights awarded under the LTIP are granted for a 3 year period. The vesting conditions Carnarvon are based on Total Shareholder Return (TSR) (1) in absolute terms and (2) relative to the returns of a group of companies considered alternative investments to Carnarvon.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Equity securities issued (continued)

The vesting schedule of 50% of the LTIP performance rights will be subject to relative TSR testing is as follows:

Relative TSR Performance	Level of vesting
Less than 50th percentile	Zero
Between 50th and 75th percentile	Pro rata between 50% and 100%
75th percentile or better	100%

Peer Group: 88 Energy, Buru Energy, Central Petroleum, Cooper Energy, Elixir Energy, Empire Energy, Galilee Energy, Helios Energy, Horizon Oil, Karoon Energy, Senex Energy, Strike Energy, Warrego Energy.

The vesting schedule of 50% of the LTIP performance rights will be subject to absolute TSR testing is as follows:

Absolute TSR Performance	% of performance rights that will vest
10% per annum return	33%
Between 10% and 20% per annum	Pro rata between 33% and 100%
Above 20% per annum	100%

There is an expiration date of 10 years and an exercise period of 90 days from the vesting dates for both STIP and LTIP performance rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Investment in Joint ventures

1) Investment in Carnarvon Petroleum Timor ("CPT")

	31 December 2021 $000	30 June 2021 $000
Investment in joint venture	26,199	25,798
Additional investment in joint venture	5,256	478
Loss for during the period (50%)	(23,622)	(77)
Investment in joint venture write-off	(7,833)	-
Investment in joint venture	**-**	**26,199**

Summarised statement of financial position of CPT at 31 December 2021:

	31 December 2021 $000	30 June 2021 $000
Current assets		
Cash and cash equivalents	15,868	25,579
Receivables	4,900	-
Non current assets		
Property, plant and equipment	3	1
Exploration and evaluation	-	37,299
Current liabilities		
Trade and other payables	5,106	352
Non current liabilities		
Deferred tax liability	-	10,129
Equity	15,665	52,398
Group's share in equity (50%)	7,833	26,199
Group's carrying amount of the investment	7,833	26,199

Summarised statement of profit or loss of CPT for the period to 31 December 2021:

	31 December 2021 $000	31 December 2020 $000
Administrative expenses	(700)	-
Employee benefits	(103)	-
Foreign exchange loss	(9)	-
Exploration and evaluation expenditure write-off	(56,561)	-
Income tax benefit on the reversal of deferred tax liability	10,129	
Loss for the period	(47,244)	-
Group's share of loss for the period (50%)	(23,622)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Investment in Joint ventures (Continued)

Following the completion of the Buffalo-10 well, it has been confirmed that there was not a quantity of hydrocarbon which could be produced commercially. On this basis, Carnarvon Timor will not progress a re-development of the Buffalo oil field. As a result, the capitalised exploration and evaluation in CPT was impaired and the remaining value of the Company's investment in the Carnarvon Timor Joint Venture has been written off.

2) Investment in FutureEnergy

In July 2021, Carnarvon formed a Joint venture with Frontier Impact Group ("FIG") under the name FutureEnergy Australia Pty Ltd ("FEA") to produce renewable diesel in Western Australia. With 50% equity in the joint venture, Carnarvon invested A$2,592,000 into FEA on 21st October 2021 to fund the FEED activities to enable an final investment decision for the project.

The Group's interest in FutureEnergy is to be accounted for as a joint venture under AASB 11: *Joint arrangements* and is required to use the equity method in the consolidated financial statements.

Summarised financial information of the joint venture, based on its AASB financial statements, are set out below:

	31 December 2021 $000
Investment in joint venture	2,592
Loss for the period	(199)
Investment in joint venture	**2,393**

Summarised statement of financial position of FEA at 31 December 2021:

	31 December 2021 $000
Current assets	
Cash and cash equivalents	2,347
Other receivable	35
Non-current Assets	2,593
Current liabilities	
Trade and other payables	189
Equity	4,786
Group's share in equity (50%)	2,393
Group's carrying amount of the investment	2,393

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Investment in Joint ventures (Continued)

Summarised statement of profit or loss of FEA for the period to 31 December 2021:

	31 December 2021 $000
Administrative expenses	(398)
Loss for the period	(398)
Group's share of loss for the period (50%)	(199)

10. Subsequent events

On 24 January, wireline logging operations during the Buffalo-10 well were completed, confirming that the Buffalo field was uncommercial.

Other than the above, no matter or circumstance has arisen since 31 December 2021 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

DIRECTORS' DECLARATION

The directors of the Carnarvon Energy Limited (the "Company") declare that:

1. The financial statements and notes, as set out on pages 8 to 20 are in accordance with the *Corporations Act 2001*, including:
    a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
    b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

W Foster
Director

Perth
25 February 2022

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent auditor's review report to the members of Carnarvon Energy Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Carnarvon Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and

b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by* the *Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst + Young

Ernst & Young

T S Hammond
Partner
Perth
25 February 2022

ADDITIONAL SHAREHOLDER INFORMATION

Details of associates and joint venture assets

Joint venture	*Principal activities*	*31 December 2021 Ownership interest %*	*30 June 2021 Ownership interest %*
Western Australia			
WA-435-P, WA-437-P, Bedout Basin	Exploration for hydrocarbons	20%	20%
WA-436-P, WA 438-P, Bedout Basin	Exploration for hydrocarbons	30%	30%
TP29, EP509	Exploration for hydrocarbons	100%	-
WA-521-P, Roebuck Basin	Exploration for hydrocarbons	100%	100%
WA-155-P(1), Barrow Basin	Exploration for hydrocarbons	100%	100%
WA-523-P, Bonaparte Basin	Exploration for hydrocarbons	100%	100%
AC/P62, Bonaparte Basin	Exploration for hydrocarbons	100%	100%
AC/P63, Bonaparte Basin	Exploration for hydrocarbons	100%	100%
Timor-Leste			
TL-SO-T 19-14 PSC, Timor Sea	Exploration for hydrocarbons	50%	50%