

BUILDING ON DORADO SUCCESS



Quarter Highlights

- **Integration of 2022 Pavo oil discovery for tie-back to Dorado**
- **Identified over 1.5 billion boe potential resource (Pmean, gross) in top 20 Bedout Sub-basin prospects**
- **Renewable fuels business maturing with market potential exceeding expectations**
- **Strong balance sheet with A\$105m cash and no debt**

Managing Director's comments

During the quarter, Front End Engineering and Design (**FEED**) work on the Dorado development was substantially completed.

Dorado is a world class asset with the first stage liquids development targeting a 162 million barrel resource (gross, 2C) (refer to ASX announcement on 17 August 2022) and an initial daily gross production rate of between 75,000 and 100,000 barrels.

Dorado's development has the potential to be greatly enhanced by the recent Pavo oil discovery, successfully adding an additional 43 million barrel resource (gross, 2C) (refer ASX announcement on 2 May 2022) which can be tied-back to the proposed Dorado facilities without a material increase to the expected low operating cost.

With considerable value generating capability, Carnarvon is eager for the timely sanction of the Dorado development and commencement of the construction phase.

This meant it was disappointing to announce that the Final Investment Decision (**FID**) on the Dorado development will not be taken in 2022. However, the Joint Venture has taken the prudent decision to delay sanction of the project given the current inflationary cost environment and supply chain uncertainties.

The most significant contract for the Dorado development is the Engineering, Procurement and Construction (**EPC**) contract for the Floating Production Storage and Offtake (**FPSO**) vessel. With a large portion of the cost under the FPSO EPC contract being fixed, waiting for the cost environment to normalise before a lump sum contract can be finalised with the relevant contractor is the financially disciplined approach.

Additionally, the Joint Venture is awaiting environmental approval in the form of the Offshore Project Proposal (**OPP**) from NOPSEMA. Once both matters are in hand the Joint Venture will be in a position to proceed to FID.

transition fuels that are strategically linked with, and sell at a premium to, their equivalent oil related products.

During the quarter, our renewable fuels joint venture, FutureEnergy Australia, secured approximately 75% of the base



Figure 1: Image of the Noble Tom Prosser drilling rig

Carnarvon remains focused on its overall vision of unlocking the full potential of the Bedout Sub-basin, offshore Western Australia. With more than 100 prospects identified across Carnarvon's acreage, analysis of the top 20 prospects has led to the assessment of combined prospective resources of over 1.5 billion barrels of oil equivalent (Pmean, gross) (refer to ASX announcement on 4 October 2022).

Given a success rate within the basin to date of nearly 70%, Carnarvon is confident drilling these prospects will add to our already extensive resource base, providing potential future tie backs to Dorado or supporting new standalone project hubs.

The Joint Venture is currently high grading several prospects for potential near-term drilling campaigns, and I look forward to sharing these plans as they unfold.

In addition to growing the company's significant resource base, Carnarvon has continued to progress its investment in

feedstock required for its first biorefinery in the Shire of Narrogin under a long-term supply arrangement. Negotiations for the balance of feedstock are well advanced.

A non-binding Memorandum of Understanding (**MoU**) was also executed with regional Western Australian power provider Horizon Power to collaborate on the development and production of renewable diesel in regional Western Australia. The MoU highlights the strong domestic demand for low carbon intensity energy products.

With a focus on technology led solutions, Carnarvon has strongly positioned itself in this growing market to deliver sustained long-term shareholder value through its renewable diesel business.

Importantly, the growth of Carnarvon's activities is underpinned by a strong balance sheet with A\$105m in cash and no debt. Carnarvon continues to remain financially disciplined as we progress the

significant suite of assets within the business.

Dorado Development WA-64-L

(Carnarvon 20%; Santos is the Operator)

During the quarter, FEED for the Dorado development was substantially completed. The main outstanding matter is the finalisation of the EPC contract for the FPSO vessel.

The Joint Venture is working with the relevant contractor to ensure the contract is in an acceptable form. This requires the cost environment to stabilise and there to be more certainty around supply chain capacity. As the FPSO represents more than 50% of the expected project cost, it is important that this work scope is carefully contracted and managed, especially in the current supply chain environment.

The engineering work for the Wellhead Platform (**WHP**) and FPSO are essentially complete, with a robust technical design able to extract the oil and gas from the Dorado field as planned and allowing for further tie-back opportunities such as Pavo.

The initial development incorporates 10 wells being drilled into the four reservoirs (Caley, Baxter, Crespin and Milne) and the hydrocarbons being produced via the 16-slot WHP to the FPSO. The FPSO has a design capacity to process 100,000 barrels of oil per day, along with 215 million scf/day of gas injection and storage for around 1 million barrels of oil & condensate.

The key regulatory approval required for the Joint Venture to sanction the Dorado development, the OPP, is also currently under assessment by NOPSEMA. The

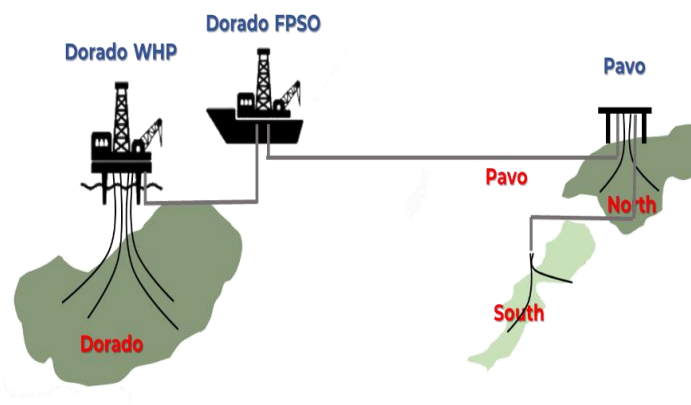


Figure 2: Illustration of potential Dorado FPSO tie-backs of Pavo North and Pavo South

operator is continuing to engage closely with NOPSEMA to gain acceptance of the OPP.

Whilst the Joint Venture is working towards the timely sanction of the Dorado development, due to the current inflationary pressures and regional supply chain challenges, the risk of cost escalation is unacceptably high and fiscal discipline is required until this environment shows signs of stabilising. As a result, the Joint Venture is taking a prudent approach which does not support FID in 2022.

Carnarvon has continued its process to fund its share of the Dorado development and has received a number of proposals for traditional reserve-based, non-recourse senior debt facilities and alternative funding options including subordinated debt, offtake prepayments and royalties. The financing process will be finalised once a lump sum cost under the FPSO EPC contract can be agreed, and the OPP has been accepted by NOPSEMA.

In addition, as part of the funding process, Carnarvon is undertaking a formal process to potentially divest a portion of its share of the Dorado project and associated exploration acreage prior to taking FID. This process is ongoing, and Carnarvon will provide shareholders with an update if a binding agreement is reached.

Pavo

WA-438-P

(Carnarvon 30%; Santos is the Operator)

During the quarter, pre-development work commenced for the Pavo discovery, with a Discovery Assessment report being filed with the regulator while studies are being undertaken for development of this resource.

The Pavo-1 well discovered 43 million barrels (2C, gross) (refer to ASX announcement on 2 May 2022) of oil as a Contingent Resource – referred to as Pavo North. This highly valuable resource is intended to be tied back to the Dorado FPSO. The studies being undertaken are to ensure the current Dorado FPSO design is capable of receiving the Pavo fluids with minimal requirement for further enhancements during tie back operations.

The Pavo South structure is estimated to contain an additional resource of 66 million barrels of oil (Pmean, gross) (refer to ASX announcement on 4 October 2022), and has the potential to generate significant further value.

Dorado Project Phase 1 Oil - P50

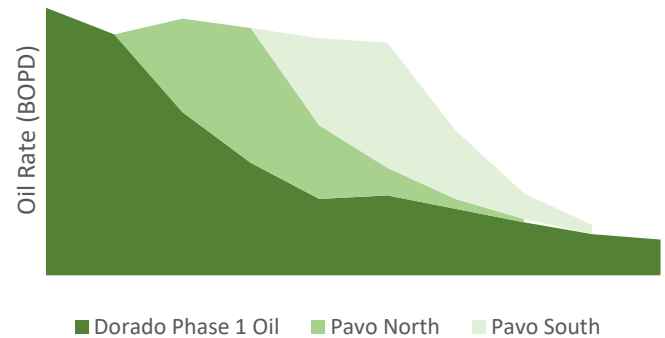


Figure 3: Illustration of the potential to optimise Dorado facilities' production capacity, and demonstrating the flexibility to incorporate future resources such as Pavo

The Joint Venture is assessing options to drill this prospect to confirm the additional resource potential.

The potential to tie-back Pavo liquids to the Dorado facilities is a significant opportunity for the Joint Venture as fluid production rates from Dorado are expected to naturally decline after a plateau period of 1-2 years, at which time there will be spare capacity in the crude oil handling facilities, allowing for back-fill from new fields such as Pavo (see figure 2).

Bedout Exploration

WA-435,6,7&8-P

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

Further exploration work across the prolific Bedout Sub-basin was ongoing during the quarter with more than 100 prospects identified across Carnarvon's acreage, covering a broad range of play styles.

Following the successful Pavo discovery earlier in the year, Carnarvon re-assessed the top five prospects in each of the Bedout exploration permits, comprising both gas and liquids focused targets.

Significantly, the mean prospective resources of these top 20 prospects add up to over 1.5 billion barrels of oil equivalent (Pmean, gross) (refer to ASX announcement on 4 October 2022).

The Joint Venture is currently high grading a number of these prospects for potential inclusion in near-term drilling campaigns.

These drilling targets include the southern culmination of the Pavo structure in WA-438-P, which is adjacent to the highly successful Pavo North oil discovery. Drilling the Pavo South cumulation will target an additional 66 million barrels (Pmean, gross) to the already proven 43 million barrels (P50, gross) at Pavo North (refer to ASX announcement on 4 October 2022) and would also appraise the Pavo North discovery and confirm the deliverability of the valuable, high-quality fluids from both structures.

The Ara prospect is an almost 600 bcf prospective gas field with 100 million barrels of associated condensate (Pmean, gross) (refer to ASX announcement on 4 October 2022) which has benefited from a review of the recently reprocessed Zeester 3D. Located in the northern area of the Bedout permits, exploration success at Ara will de-risk numerous additional gas prospects in the vicinity and potentially unlock an aggregate of several tcf of other gas plays in the area and provide further confidence for the Stage 2 gas development at Dorado.

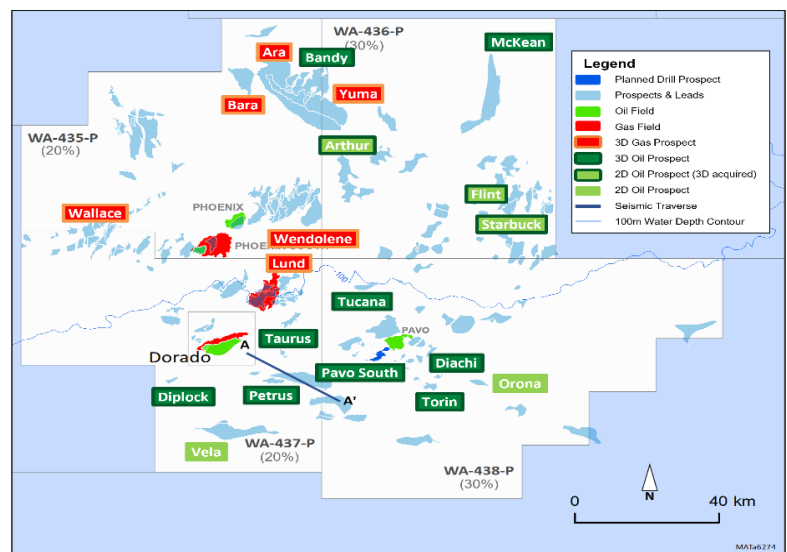


Figure 4: Map of top 20 Prospects, and discovered Fields in the Bedout Permits

The Starbuck (76 mmboe, Pmean, gross) and Flint (56 mmboe, Pmean, gross) (refer to ASX announcement on 4 October 2022) prospects in WA-436-P are examples of already medium risk prospects (32% and 30% respectively) that will be high-graded through analysis of the Keraudren 3D and its areal extensions, acquired in 2019-2022. Success at either of these wells, on-trend with the recent Pavo-1 discovery, would unlock further prospectivity in the area.

The high grading of these Bedout Sub-basins prospects and the recent exploration work across the permits has been significantly enhanced following the recent utilisation of improved seismic data acquisition and reprocessing technology, combined with feedback from the growing number of wells in the Bedout Sub-basin.

Renewable Fuels

(Carnarvon 50%)

Carnarvon continues to advance its first renewable diesel project towards FID in 2023 via its FutureEnergy Australia joint venture (**FEA**).



Figure 5: 3D Model of proposed Narrogin biorefinery

During the quarter, FEA entered a Memorandum of Understanding with West Australian regional energy provider Horizon Power.

The MoU is the first step in building a strategic relationship which could involve investment into one or more projects, renewable diesel offtake and power purchase agreements for new sites.

FEA has now also secured approximately 75% of the base feedstock requirement for its first project in the Shire of Narrogin under long-term arrangements. Negotiations for the balance of feedstock are also well advanced.

At the end of the quarter Technip Energies were in the final stages of completing the bankable engineering and design study for the project. The study is expected to be finalised next quarter.

Environmental and development approvals have also progressed and are expected to be submitted next quarter.

Labyrinth WA-521-P

(Carnarvon 100%)

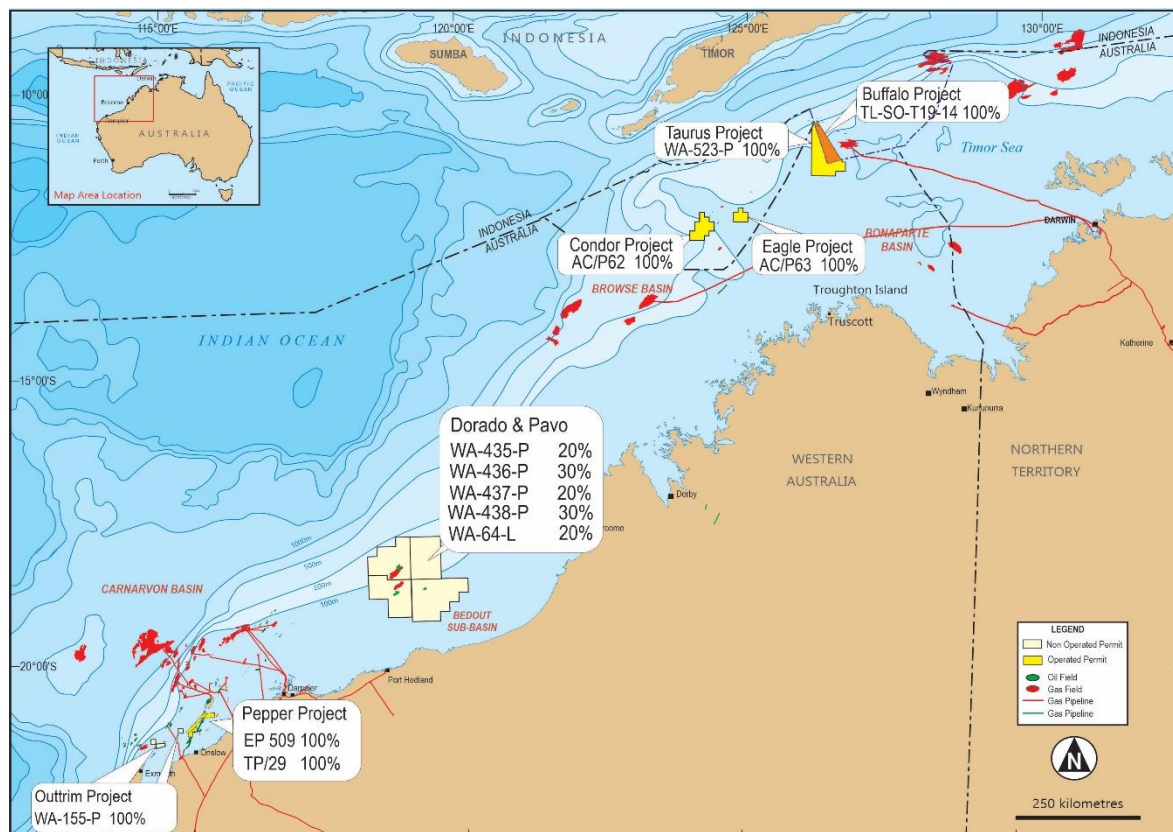
During the period, the regulator accepted Carnarvon's request to relinquish the WA-521-P exploration permit.

Despite the technical work demonstrating that permit is prospective for liquid hydrocarbons, Carnarvon does not consider these prospects as core exploration targets due to their critical risks of hydrocarbon source and migration, which requires definitive data from a well to reduce this risk.

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 Carnarvon'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\$7.6 million on exploration and evaluation activities which primarily related to drilling the Pavo-1 and Apus-1 exploration wells including post well studies, Dorado FEED workflows and seismic processing over the Bedout permits.
2.5	Other	This item relates to Carnarvon's investment into the renewable diesel FutureEnergy Australia joint venture.
3.1	Proceeds from exercise of options / ESP	Carnarvon has an Employee Share Plan (ESP) which was previously 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 Carnarvon.
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\$1.6-\$1.8 million in Dorado and Pavo FEED expenditure and A\$1.9-\$2.1 million in corporate 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%	-
Taurus	WA-523-P	Carnarvon Energy	100%	-
Labyrinth	WA-521-P	Carnarvon Energy	-	(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 and 4 October 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 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(234)	(234)
(b) development	-	-
(c) production	-	-
(d) staff costs	(1,073)	(1,073)
(e) administration and corporate costs	(1,392)	(1,392)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	429	429
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	(2,270)	(2,270)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	(7,606)	(7,606)
(e) investments	-	-
(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 (3 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)	(34)	(34)
2.6	Net cash from / (used in) investing activities	(7,640)	(7,640)

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	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)	(59)	(59)
3.10	Net cash from / (used in) financing activities	118	118

4.	Net increase / (decrease) in cash and cash equivalents for the period	Current quarter \$A'000	Year to date (3 months) \$A'000
4.1	Cash and cash equivalents at beginning of period	112,425	112,425
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,270)	(2,270)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,640)	(7,640)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	118	118

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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	2,516	2,516
4.6	Cash and cash equivalents at end of period	105,149	105,149

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	22,153	16,124
5.2	Call deposits	82,996	96,301
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)	105,149	112,425

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	423
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)	(2,270)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(7,606)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(9,876)
8.4 Cash and cash equivalents at quarter end (item 4.6)	105,149
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	105,149
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	10.6
<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: 24 October 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.