

PROGRESSING FROM EXPLORER TO PRODUCER



Quarter Highlights

- **Completion of partial divestment of a 10% interest in Bedout assets to CPC Corporation, Taiwan, for US\$148 million.**
- **Significant additional prospective resources identified in the Bedout Sub-basin following interpretation of new 3D seismic. Currently maturing drilling plans.**
- **Strong balance sheet with A\$183m cash, no debt and US\$90m Dorado development cost carry.**

Managing Director's comments.

The Company achieved a crucial milestone during the period, completing the partial divestment of a 10% interest in the Company's Bedout assets, which includes the world class Dorado development, to OPIC Australia Pty Limited, a wholly owned subsidiary of CPC Corporation, Taiwan (**CPC**), Taiwan's national oil and gas company.

Completion of the divestment is a key element towards funding the Company's remaining share of the Dorado development, and realising its transformational journey to deliver high-quality, low-cost production for shareholders.

Under the sale agreement, the total cash consideration was US\$148 million. This

comprised an upfront payment of US\$58 million and a further carry of US\$90 million towards the Company's share of future Dorado development costs once a Final Investment Decision (**FID**) is taken.

I am delighted to welcome CPC to the Joint Venture, and we look forward to working with CPC, and the Operator, to progress Dorado to be ready for FID in 2024.

A core focus of the Company is to work with the Joint Venture to ensure Dorado achieves the lowest capital cost and shortest timeframe to first production. To achieve this, work continued on optimising and completing the facilities design for an integrated development of the Dorado and Pavo resources, settling operating costs and finalising key construction contracts towards the planned FID.

As I mentioned in the previous quarterly report, planning and stakeholder consultation for environmental approvals

requires more focus following recent court actions in relation to other projects in our industry. As a result, the Joint Venture is commencing work towards securing Environment Plan (EP) approvals for the Dorado development activities ahead of FID. The stakeholder consultation process for the Dorado EPs is expected to commence soon.

The Company also continued to high-grade its exploration portfolio within the Bedout Sub-basin during the period. Recent interpretation results from the latest 3D seismic data identified an unrivalled spread of highly attractive prospects. As a result, the Joint Venture is high-grading five strategic prospects across the Bedout Exploration Permits, which have the potential to unlock significant additional resources in the surrounding cluster.

The clusters will be targeted for their potential to build resource scale, de-risk significant prospectivity and strengthen future development opportunities. The Bedout Exploration Permits are estimated to contain prospective resources of 9 Tcf of gas and 1.6 billion barrels of liquids (Pmean, gross*) (see ASX announcement on 1 September 2023). The scale of these resources reinforces the Bedout Sub-basin's position as Australia's most prospective and exciting offshore exploration acreage.

The Joint Venture has been maturing discussions with respect to securing drilling slots on a semi-submersible drilling rig to drill up to three wells in the Bedout Exploration Permits in late 2024 and / or

the first half of 2025. I look forward to providing updates as these plans progress.

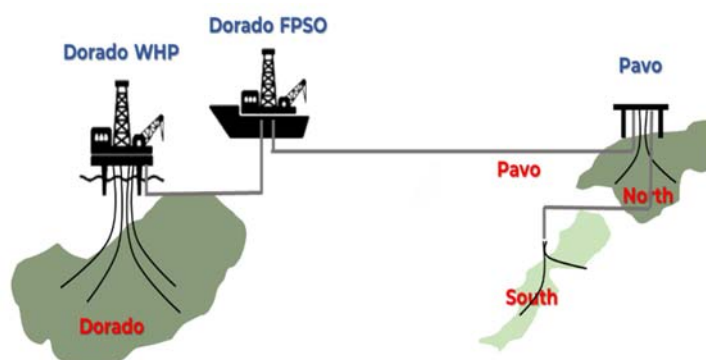


Figure 1: Illustration of potential Dorado FPSO tie-backs of Pavo North and Pavo South

The Company ended the quarter with A\$183 million in cash, and no debt. The Company is prudently managing its cash balance through term deposits and by holding a balance of funds between AUD and USD to ensure the Company maintains a natural hedge for future expected expenditures.

With approximately A\$320 million in liquidity (including existing cash and the US\$90 million Dorado development cost carry as part of the CPC transaction) the Company is in a commanding financial position to deliver Dorado, and fund continued growth, in the foreseeable future, through exploration in the Bedout Sub-basin.

Finally, I look forward to meeting shareholders to discuss the Company's recent activities and achievements at our Annual General Meeting on 17 November 2023 at the Perth Convention Centre.

Dorado Development WA-64-L

(Carnarvon 10%; Santos is the Operator)

Completion of the CPC transaction during the quarter is a crucial funding milestone for the Company as it progresses the Dorado development to be FID ready in 2024.

The partial divestment included a 10% interest across the Bedout Exploration Permits, and the Dorado Production License (WA-64-L). Under the sale agreement the Company received an adjusted upfront payment of US\$58 million and a US\$90 million carry towards its share of the future Dorado development costs once FID is taken.

The Company continues the process to fund any remaining share of the Dorado development costs and is canvassing a broad range of potential capital sources, including traditional reserve-based, non-recourse senior debt facilities and alternative funding options (including junior debt, offtake prepayment and royalties).

The Company has received a strong level of market interest across all these sources of capital. It will continue to progress various options to deliver the optimal balance of capital management while maximising risk-weighted value for shareholders, and also ensuring the Company has the necessary finances to fund expected drilling activities in the Bedout Sub-basin over the next 18 months.

The Dorado oil and gas field is planned to be developed via a staged development,

with an initial liquids phase (Phase 1) followed by gas export (Phase 2).

The Dorado Phase 1 liquids development assumes liquid handling rates of up to 100,000 barrels per day, gas capacity of up to 215 MMscf/d and consists of a 16 slot wellhead platform (**WHP**) 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 Phase 1 liquids development. Flexibility is retained for further infill drilling (up to 6 additional injectors and/or producers from the WHP, plus subsea optionality) to optimise recovery of the field.

The Dorado Phase 2 gas development 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.

Earlier in the year the Joint Venture's Offshore Project Proposal (**OPP**) was approved by the regulator. The OPP provides flexibility to tie-back future liquids discoveries to the Dorado production facilities, such as the Pavo field discovered last year, which is a core component of the Phase 1 liquids development concept. The Pavo field lies approximately 46km east of the Dorado field.

During the quarter, the Joint Venture continued to progress the Pavo Assess Phase Study to determine the preferred development route for the Pavo field and to ensure that any 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.

Bedout Exploration

WA-435,6,7&8-P

(Carnarvon 10%-20%; Santos is the Operator)

The Bedout Sub-basin offshore Western Australia is one of the most exciting exploration plays in the country. The Joint Venture's exploration strategy has the potential to unlock substantial additional resources, with unrisks prospective resource estimates of 9 Tcf of gas and 1.6 billion barrels of liquids (Pmean, gross*) (refer to ASX announcement on 1 September 2023).

Five prospects are highlighted for both their potential and ability to unlock surrounding acreage – the Ara, Wallace, Wendolene, Starbuck and Pavo South prospects - and are being high-graded for future drilling campaigns (Figure 2). These prospects have been strategically selected for their potential to build resource scale, de-risk significant prospectivity within nearby clusters and strengthen a number of development opportunities.

The Ara prospect, located in the northern half of the WA-435-P Exploration Permit, is a prospective resource that could contain 549 Bscf of gas and 91 million barrels of condensate (Pmean, gross*) (see ASX

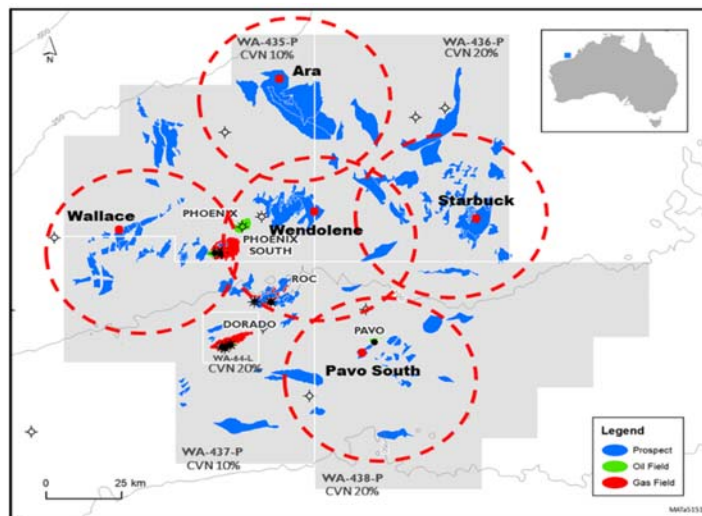


Figure 2: Showing five high graded potential well targets, and the related clusters which would be de-risked in the case of a successful well.

announcement on 1 September 2023). With a very robust 37% chance of geological success, Ara could form the basis for a new gas-centric cluster in the north of the Bedout Sub-basin, and significantly de-risk nearby prospective resources contained within a concentric gathering system. Prospects within the Ara Cluster include Bandy, Yuma, Bara and Wiwaxy.

Similarly, the Starbuck prospect aims to target 101 million barrels of oil and significant associated gas (Pmean, gross*) (see ASX announcement on 1 September 2023). Starbuck boasts an attractive geological chance of success of 58%. Success at Starbuck would encourage new oil development in the east of the WA-436-P Exploration Permit. Success would equally de-risk the identified Fall Line, Coho, Tacoma, Stampede, and many other prospects, all of which could feed into a future Starbuck development project.

The identification of this further prospectivity in the Bedout Sub-basin has

been driven by the significant amount of new data which has been added to the Joint Venture's Bedout data base in the past 18 months.

In particular, the final processed products for the Phase 1 and Phase 2 Keraudren North Extension 3D data sets which were acquired in 2021 and 2022 respectively, the Dorado multi-azimuth (MAZ) seismic processing data set, which combined the Keraudren, Archer and Capreolus 3D seismic data sets over the Dorado Field and surrounding acreage, as well as the reprocessing of historic seismic data. The Pavo-1 and Apus-1 post-well analysis has also significantly strengthened the Joint Venture's sub-surface understanding.

The Joint Venture is firming plans for further exploration drilling in the Bedout Exploration Permits in the medium term. Discussions have been maturing with respect to securing drilling slots on a semi-submersible drilling rig to drill up to three wells in the WA-435-P, WA-436-P and/or WA-438-P Exploration Permits.

The precise timing for the next round of exploration drilling in the Bedout Exploration Permits is dependent on the timing for regulatory approvals, and particularly the new consultation process relating to the preparation of EPs, as well as customary joint venture approvals.

During the quarter, the Joint Venture also submitted its renewal work program for the four Bedout Exploration Permits to the regulator.

Due to significant activity above the required 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 occurred mid-2023, and hence the Joint Venture has submitted the required documentation to fulfil the renewal requirements and allow continuous exploration in all four Exploration Permits.

Renewable Fuels

(Carnarvon 50%)

The Company continues its disciplined approach towards maturing its renewable fuels project in the Shire of Narrogin as part of its biofuels joint venture, FutureEnergy Australia (**FEA**) (Carnarvon 50%).

During the quarter, the Company welcomed the continued support of the Western Australian Government with A\$4.72 million in grant funding from the Investment Attraction Fund allocated to FEA for the Narrogin project. The grant funding is available to FEA once the Narrogin biofuels project achieves a Final Investment Decision (**FID**) and is subject to a number of other conditions.

The Company's focus has centred on ensuring there is a robust technology pathway, and strong overall commerciality of the Narrogin project.

AC/P62 & AC/P63

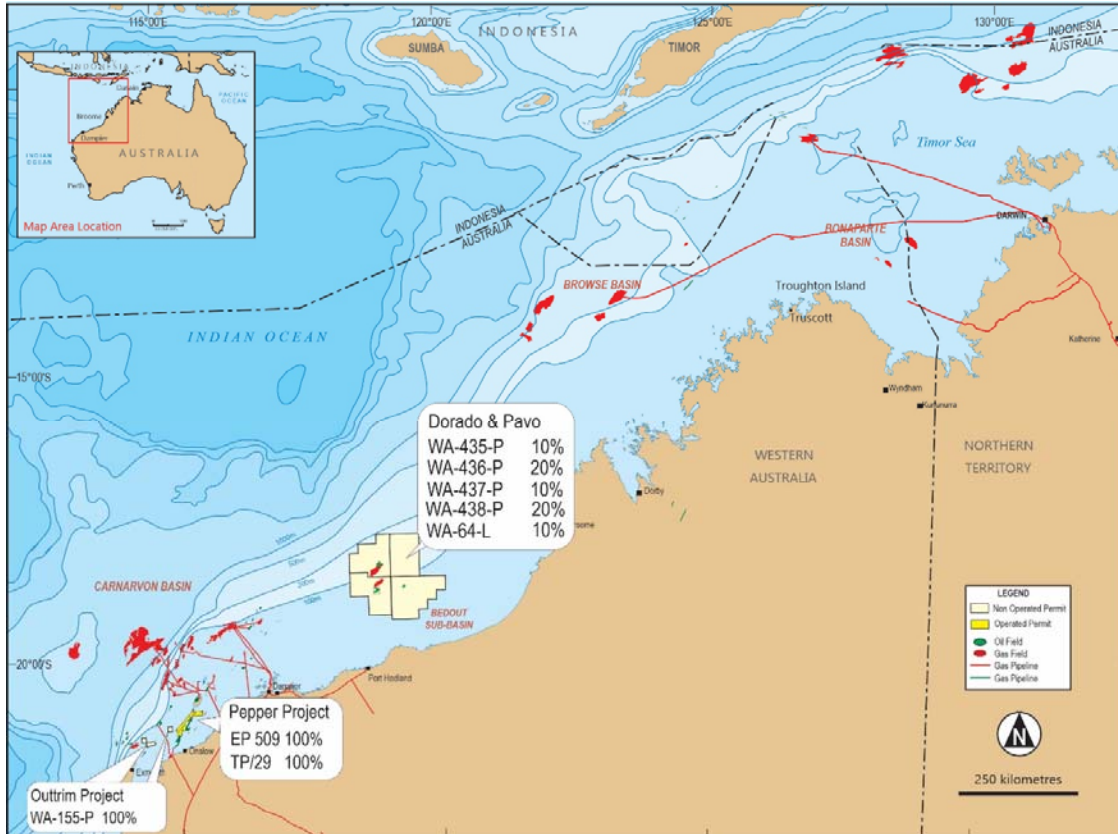
(Carnarvon 100%)

During the quarter, the regulator accepted the Company's request to relinquish the AC/P62 and AC/P63 Exploration Permits. The Company continues to focus its exploration activities within the highly prospective and proven Bedout Sub-basin.

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. In the current quarter, the Company incurred annual insurance and technical software licensing costs.
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\$771,000 on exploration and evaluation activities which primarily related to Dorado FEED and Pavo integration workflows, and seismic processing over the Bedout permits.
2.2 (e)	Proceeds from the disposal of tenements	This item reflects the upfront payment of US\$58 million (less costs) received by Carnarvon following the partial divestment of a 10% interest in its Bedout assets to CPC.
2.5	Other	Carnarvon received a refund from the Joint Venture following the transfer of remaining inventory from the Pavo-1 and Apus-1 wells. For the upcoming, a further adjustment is expected, resulting in a payment of around \$400,000 by Carnarvon to the operator.
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\$1.4-\$1.6 million expenditure in the Bedout Sub-basin and A\$1.3-\$1.5 million in corporate and other costs. Corporate costs are expected to be offset by interest received for the quarter.

Project Map



Project Table

Project	Permit(s)	Operator	Interest held	Interest Change Q/Q
Bedout	WA-64-L	Santos	10%	(10%)
Bedout	WA-435-P	Santos	10%	(10%)
Bedout	WA-436-P	Santos	20%	(10%)
Bedout	WA-437-P	Santos	10%	(10%)
Bedout	WA-438-P	Santos	20%	(10%)
Condor	AC/P62	Carnarvon	-	(100%)
Eagle	AC/P63	Carnarvon	-	(100%)
Outtrim	WA-155-P	Carnarvon	100%	-
Pepper	EP 509 & TP/29	Carnarvon	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 are subjective processes 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(s) and relate to undiscovered accumulations. These estimates have both a risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially recoverable hydrocarbons.

Resources

All prospective resources in this update are prepared as at 4 October 2022, 30 June 2023 and 1 September 2023 pursuant to the announcements released to the ASX on 4 October 2022, 30 August 2023 and 1 September 2023. The estimates of prospective resources included in this update have been prepared in accordance with the definitions and guidelines set forth in the SPE-PRMS. Carnarvon is not aware of any new information or data that materially affects the information included in this update, and that all material assumptions and technical parameters underpinning the estimates in this update continue to apply and have not materially changed.

Prospective resources have been reported using the best estimate. Prospects are made up of multiple potential reservoir horizons and these are "rolled-up" statistically into a single prospective resource. These prospective resources are statistically aggregated up to the field level and arithmetically summed to the project level.

Conversion from gas to barrels of oil equivalent is based on Gross Heating Value. Carnarvon uses a constant conversion factor of 5.7 Bscf/MMboe. Volumes of oil and condensate, defined as 'C5 plus' petroleum components, are converted from MMbbl to MMboe on a 1:1 ratio.

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 2023

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	(282)	(282)
(b) development	-	-
(c) production	-	-
(d) staff costs	(873)	(873)
(e) administration and corporate costs	(1,012)	(1,012)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1,272	1,272
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	(895)	(895)
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	(771)	(771)
(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	86,762	86,762
	(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)	1,288	1,288
2.6	Net cash from / (used in) investing activities	87,279	87,279

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	-	-
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	(59)	(59)

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	95,301	95,301
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(895)	(895)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	87,279	87,279
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(59)	(59)

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	1,449	1,449
4.6	Cash and cash equivalents at end of period	183,075	183,075

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	11,826	8,309
5.2	Call deposits	171,249	86,992
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)	183,075	95,301

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	384
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)	(895)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(771)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,666)
8.4 Cash and cash equivalents at quarter end (item 4.6)	183,075
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	183,075
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	109.9
<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: 23 October 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.