

Quarterly Activities Report

For the period ended 31 March 2024

Carnarvon Energy (**ASX:CVN**) (**Carnarvon**) is pleased to provide an update on the company's activities and financial position as at 31 March 2024.

Quarter highlights

- Changes to non-executive directors with the appointment of Robert Black, and the retirement of Gavin Ryan.
- Optimisation of Dorado Phase 1 liquids development expected to deliver a material uplift in the project's value as the project continues toward being FID-ready by end of 2024.
- Further reductions to corporate costs achieved, including changes to Management remuneration to align with refreshed Company strategy.
- Strong balance sheet with A\$181m cash, no debt, and US\$90m Dorado development free carry.

Changes to non-executive directors

During the quarter, the Board continued its succession process, which was first announced on 12 December 2023. In line with this process, Carnarvon has appointed Robert (Rob) Black as a non-executive director of the company. Consequent to Mr Black's appointment, Gavin Ryan has stepped down from the Board.

Effective 1 July 2024, Mr Black will assume the role of Chair from Carnarvon's current Chair, William (Bill) Foster. Mr Foster will remain on the Board as a non-executive director following the transition of the Chair role until such time as a suitably qualified director is appointed to replace him.

It is the current intention of the Board that the recruitment process for a further new director, which is being undertaken by executive search firm Derwent, will be completed around the middle of this year. The Board has agreed that, should a new director be appointed before 31 August 2024, Mr Foster will continue to provide services to the Board until this date.

Carnarvon's CEO, Philip Huizenga, commented:

"I would like to thank Gavin for his significant contribution to the Board over the past six years. Gavin's depth of industry experience, and acute understanding of Carnarvon's business, have been instrumental in guiding the company to where it is today."

I welcome Rob to the Board and look forward to working with him. Rob and the rest of the Board remains resolutely focused on advancing the Dorado development, preserving existing balance sheet strength, and pursuing every opportunity to realise value for shareholders.

As detailed below, the Dorado Joint Venture is progressing opportunities to optimise the development with lower upfront CAPEX, faster time to first oil and enhanced economics, which puts Carnarvon in a strong position to unlock value for shareholders.

Dorado is an outstanding project, and I look forward to progressing these exciting optimisation opportunities towards being FID-ready this year.”

Project development

Dorado WA-64-L (Carnarvon 10%; Santos is the Operator)

The Dorado oil and gas field is planned to be developed via a staged development, with an initial liquids extraction (Phase 1) followed by gas export (Phase 2).

The Dorado Phase 1 liquids development is predicated on production from a fixed wellhead platform (**WHP**) connected to 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. During the Phase 1 development gas is injected back into the reservoir to enhance oil and condensate production. Flexibility is retained for further infill drilling to optimise recovery from the field.

During the quarter, the Joint Venture continued to explore a number of material economic improvement opportunities for the project.

These include an opportunity to optimise the production rate allowing the joint venture to reduce CAPEX and phase the timing of wells. Subject to ongoing engineering work, a revised capacity between 60,000 to 100,000 bopd could result in only a portion of the wells being required prior to first oil. Any remaining wells would be drilled during production allowing them to be self-funded through project cash flows. Right-sizing the project and deferring wells after production startup will reduce both the up-front capital outlay and the time to first oil, hence improving project value and returns.

Through the optimisation process, the Joint Venture is also assessing FPSO vessel redeployment options. Dependent on the suitability and availability of these units, the Joint Venture believes there could be further cost savings and reduced time to first oil opportunities for the Project.

Importantly, any design changes would be within the scope of the approved Offshore Project Proposal (OPP). This allows the Operator to update the previously completed FEED work with confidence to maintain the existing FID-ready target of end-2024.

Carnarvon estimates that the overall CAPEX prior to first oil will be below the Operator’s previous guidance of ~US\$2 billion (refer to STO ASX announcement on 16 February 2022). Carnarvon expects that the Company, with its strong balance sheet, the development cost carry and a prospective debt facility, to be fully funded for its share of development.

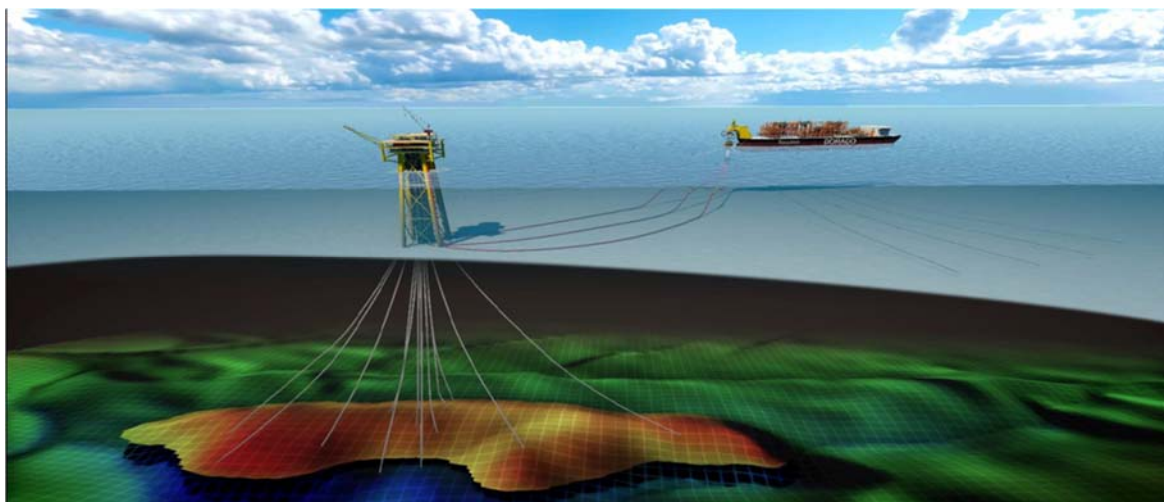


Figure 1: Schematic of potential Dorado FPSO and WHP

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).

While the Joint Venture did have an exploration well in the contingent budget for 2024, due to a scarcity of suitable drilling rigs in Australia at this time, further drilling has been deferred to at least 2025, subject to joint venture and regulatory approvals. Carnarvon will provide further details on drilling timelines as plans progress.

Corporate

Consistent with the Board's refined strategic priorities and focus on significantly reducing the company's corporate and administrative cost base, following the end of the quarter, the fixed remuneration payable to Mr Huizenga under his employment contract was reduced to 20% lower than the amount paid to Carnarvon's previous CEO.

As part of the terms of Mr Huizenga's employment contract, the Board has agreed to grant him new performance rights on substantively the same terms as the performance rights granted to new directors following the changes to Carnarvon's Board announced on 18 December 2023 and 28 March 2024, with the addition of further vesting conditions associated with tenure (**New Performance Rights**).

New Performance Rights were also be granted to Carnarvon's Chief Financial Officer, Alex Doering, as part of agreed changes to his terms of employment.

The grant of New Performance Rights to Carnarvon's Key Management Personnel is intended to better align executive remuneration with shareholder interests, and incentivise management to drive higher returns.

Carnarvon has also continued to reduce its corporate and administrative cost base to maintain the strength of its balance sheet as the company pursues the right value outcomes from its existing asset base. This included further staff optimisation.

Cash and liquidity position

The company ended the quarter with A\$181 million in cash, and no debt. Carnarvon also maintains US\$90 million in Dorado development cost carry.

The increase in cash from the previous quarter is primarily due to interest earned on the Company's significant cash balance and the impact of an appreciation of USD in comparison to AUD on the portion of the company's funds which are held in USD.

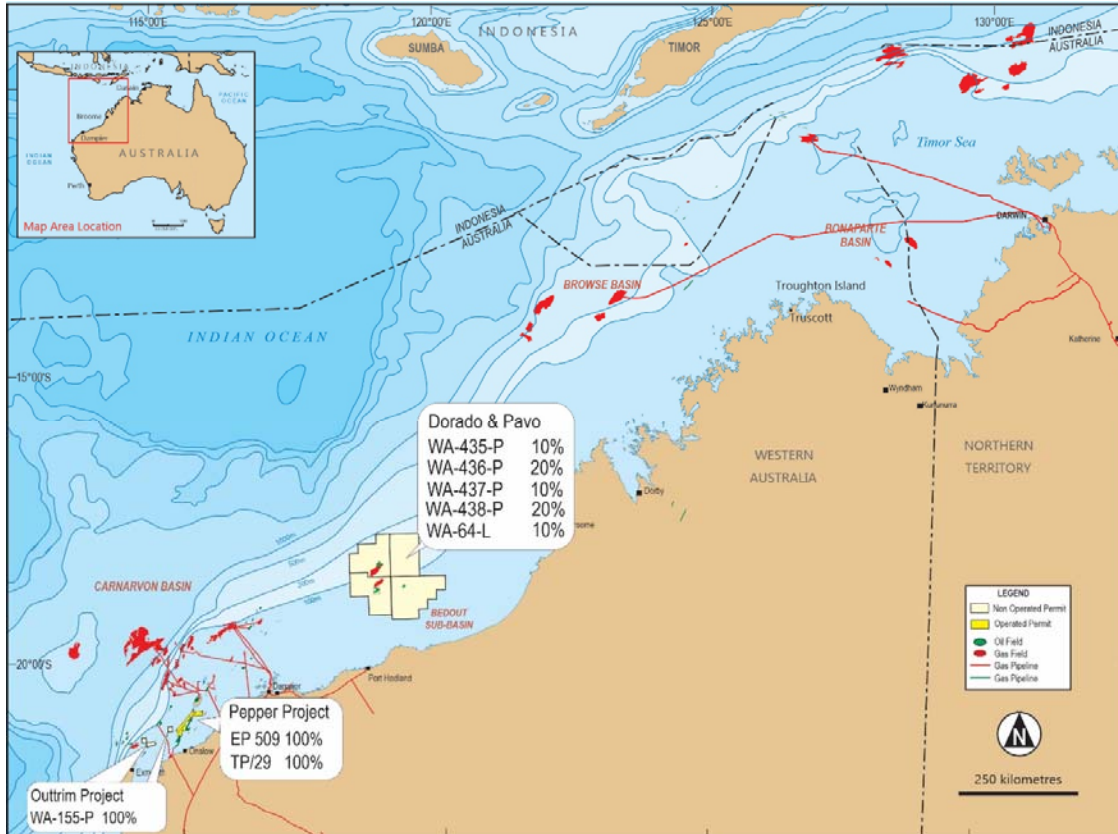
Carnarvon continues to prudently manage its cash balance through term deposits and by holding a balance of funds between AUD and USD, which maintains a natural hedge for future expected expenditures in each currency.

Importantly, the significant interest income generated by Carnarvon's cash holdings more than offset the company's ongoing corporate and administrative costs.

Financial Analysis of selected items within Appendix 5B

Appendix 5B reference	ASX description reference	Carnarvon commentary
1.2 (d)	Staff costs	Staff costs include employee salaries and on costs. During the quarter, the company made further redundancies which resulted in a significant one-off increase in staff costs for the quarter.
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, investor relations and travel.
1.4	Interest received	Carnarvon holds a significant portion of its cash in term deposits which generate interest income during the year. Interest is recorded in the Appendix 5B when received, namely when deposits mature. Accordingly, the amount varies each quarter based on the interest rate, the amount on term deposit and the timing of the maturity of the term deposits.
2.1 (d)	Exploration and evaluation costs capitalised	During the quarter, Carnarvon incurred a net outflow of A\$1,095,000 on exploration and evaluation activities which primarily related to the Dorado development optimisation, and Pavo integration workflows.
2.2 (d)	Investment	In late 2023 the company disposed of the remainder of the shares it held in CWX Global Limited. The funds were transferred to Carnarvon from the company's brokers during the current period.
3.3	Proceeds from exercise of options / ESP	During the quarter, some outstanding Employee Share Plan loans were repaid on employee shares. Payments are reflected as cash received by the company.
3.9	Other	This item includes leasing of the company's head office which is classified as a financing activity under Australian Accounting Standards.
6.1	Payments to related parties and their associates	These costs pertain to payments made to Directors. The current period included a one-off PAYG tax payment relating to the Board and Management changes announced in December 2023.
8.0	Future operating activities	For the upcoming quarter, Carnarvon has forecast A\$1.2 million - \$1.5 million expenditure in the Bedout Sub-basin and A\$0.6 - \$0.9 million in corporate and other costs. Corporate costs should be fully 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%	-
Bedout	WA-435-P	Santos	10%	-
Bedout	WA-436-P	Santos	20%	-
Bedout	WA-437-P	Santos	10%	-
Bedout	WA-438-P	Santos	20%	-
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 Executive 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")

31 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation		(502)
(b) development	-	-
(c) production	-	-
(d) staff costs	(1,029)	(3,547)
(e) administration and corporate costs	(358)	(1,853)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2,404	5,512
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	245
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	1,017	(145)
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	(1,112)	(2,050)
(e) investments	-	(618)
(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 (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	86,365
	(c) property, plant and equipment	-	-
	(d) investments	767	767
	(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)	(15)	(62)
2.6	Net cash from / (used in) investing activities	(360)	84,402

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	294	981
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)	(61)	(563)
3.10	Net cash from / (used in) financing activities	233	418

4.	Net increase / (decrease) in cash and cash equivalents for the period	Current quarter \$A'000	Year to date (6 months) \$A'000
4.1	Cash and cash equivalents at beginning of period	176,010	95,301
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,017	(145)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(360)	84,402
4.4	Net cash from / (used in) financing activities (item 3.10 above)	233	418

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	3,631	555
4.6	Cash and cash equivalents at end of period	180,531	180,531

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	12,662	12,829
5.2	Call deposits	167,869	163,181
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)	180,531	176,010

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	357
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

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

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	1,017
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,112)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(95)
8.4 Cash and cash equivalents at quarter end (item 4.6)	180,531
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	180,531
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1,900
<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: 30 April 2024

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.