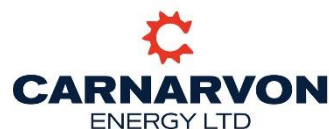


# Corporate update

27 September 2022



## Highlights

- Dorado FID timing to follow supply chain conditions stabilizing and final regulatory approvals
- Assessment of the 2022 Pavo discovery is progressing, including options to tie-back to Dorado
- Exploration work in the Bedout basin is advancing across a significant prospect portfolio
- Work is continuing on funding alternatives for Carnarvon's share of Dorado development costs
- Renewable fuels business maturing with the market potential exceeding Carnarvon's expectations

Carnarvon Energy Limited ("Carnarvon" or "the Company") (ASX:CVN) is pleased to provide an update on project and corporate activities that are currently in progress.

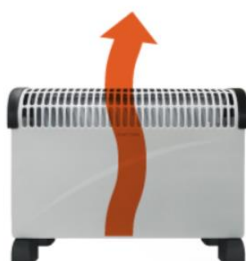
Energy security and rising cost challenges continue to ripple through the global economy with Europe reporting energy costs currently comprising around 10% of household spending. Energy prices, particularly in terms of liquefied natural gas and oil are expected to remain strong, especially through the European winter for the reasons outlined below:

### The energy price spike seen in 2022 is the second-highest since the oil shocks of the 1970s. Why?

Today, the oil industry is contending with the following challenges:



**Supply disruptions** from Russia's invasion of Ukraine



**Rising energy demand** that could ramp up into the winter



**Low spare oil capacity**

*Source: Elements, published by Dorothy Neufeld*

Carnarvon's long held view is that liquid fuel demand will continue to be robust into the foreseeable future, notwithstanding concerted efforts to advance alternative energy transition products. This has been evidenced by studies that show, despite strong electric vehicle take up, oil consumption has not materially changed.

With this focus, the Company is in a very strong position having a well-advanced oil development project in the Bedout basin with resources net to Carnarvon (2C resource) from Dorado and Pavo aggregating 82 million barrels of oil equivalent. Testing of further development potential upside at Pavo is also currently under consideration.

The proven and potential gas resources in the basin, which are currently under assessment by the Joint Venture for future exploitation, also offers a highly attractive investment proposition.

In addition to these resources, Carnarvon has been progressing its work on and investment in transition fuels that are strategically linked with and produce products that are currently selling at premiums to their equivalent oil related products.

Recently the Carnarvon team met with parties to assess markets and operations in Europe, the USA and Asia where the demand for low carbon intensity energy products, like renewable diesel and sustainable aviation fuel, materially outstrips supply.

This growing market presents a very strong investment opportunity and one in which Carnarvon has already positioned itself with its focus on technology led solutions, and by securing land in the Shire of Narrogin and material feedstock supply for its first project.

In terms of the Company's traditional oil and gas operations, Carnarvon remains committed to building its resource and reserve base in the highly prospective Bedout basin through the exploration, development and production of both oil and gas, which have been proven to exist in the basin.

The Dorado development was scheduled to be Final Investment Decision ("FID") ready before the end of the current calendar year. On 17<sup>th</sup> August, Carnarvon and its Joint Venture ("JV") partner advised that the project had substantially completed the Front-End Engineering and Design phase, however the current inflationary cost environment and supply chain uncertainty do not support a FID in 2022. Notwithstanding this decision, the project remains an important development for both JV partners who are seeking to balance the timely sanctioning of the project with important fiscal discipline in this current inflationary environment. The JV will continue to assess the cost environment into the new year, with some potential easing signs recently becoming apparent, and progress finalisation of the remaining regulatory approvals.

Earlier this year the Pavo-1 well successfully discovered a material 43 million barrels (gross, 2C resource) of light sweet oil, plus gas and associated LPGs in the northern Pavo structure. The result at Pavo-1 also significantly de-risks the hydrocarbon bearing potential of the separate southern Pavo structure and nearby prospects that are currently being assessed in light of this discovery. The greater Pavo field has the very real potential of being produced through the Dorado field's facilities, which contain 162 million barrels (gross, 2C resource) of light sweet oil, condensate, LPGs and a substantial volume of low CO<sub>2</sub> gas.

Currently, the operator is assessing the Pavo-1 well results from the perspective of development tie-back to Dorado and its impact on the prospectivity for future drilling targets.

In terms of the prospectivity within the Bedout basin, more than 100 prospects have been identified across the JV's acreage (WA-435-P, WA-436-P, WA-437-P and WA-438-P). These cover a broad range of play styles. From this prospect list, the top five prospects in each block have been reassessed following the successful Pavo discovery this year with potential for high-grading to drilling status. These top prospects contain both gas and liquids focused targets.

The Carnarvon team is also actively working on a number of initiatives which aim to enhance the funding position for the Dorado development as well as pursuing opportunities that have the potential to generate earnings and cash flows ahead of that currently planned from the Dorado field, including the potential for earnings from the production of renewable fuels.

**Managing Director, Adrian Cook said:**

*“Carnarvon is in a very strong position at the current time with significant oil and gas resources being progressed for development, a basin holding position with exciting exploration potential and a transition plan that is product led, earnings focused and capable of significant expansion.*

*Supporting these activities is a strong balance sheet with over A\$100 million in cash and no debt.*

*Whilst the Dorado development FID has been delayed, it is for good reason and one in which we believe will stand us in a robust position through being financially disciplined.*

*The Dorado and Pavo fields are unquestionably world class, capable of delivering quality product over an extended period of time, with huge potential upside from yet to be discovered additional fields, and we look forward to providing updates as we continue to progress this work.”*

Approved by:



**Adrian Cook**  
Managing Director  
Carnarvon Energy Limited

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### Technical Appendix – Resources

<b>Gross Contingent Resource (Dorado)</b>	<b>1C</b>	<b>2C</b>	<b>3C</b>
Oil (million barrels)	86	162	285
Gas (billion cubic feet)	367	748	1,358
<b>Barrels of oil equivalent (million barrels)</b>	<b>176</b>	<b>344</b>	<b>614</b>

<b>Net Contingent Resource (Dorado) - CVN 20%</b>	<b>1C</b>	<b>2C</b>	<b>3C</b>
Oil (million barrels)	17	32	57
Gas (billion cubic feet)	73	150	272
<b>Barrels of oil equivalent (million barrels)</b>	<b>35</b>	<b>69</b>	<b>113</b>

<b>Gross Contingent Resource (Pavo)</b>	<b>1C</b>	<b>2C</b>	<b>3C</b>
Oil (million barrels)	26	43	62
Gas (billion cubic feet)	6	11	17
<b>Barrels of oil equivalent (million barrels)</b>	<b>27</b>	<b>45</b>	<b>65</b>

<b>Net Contingent Resource (Pavo) - CVN 30%</b>	<b>1C</b>	<b>2C</b>	<b>3C</b>
Oil (million barrels)	8	13	19
Gas (billion cubic feet)	2	3	5
<b>Barrels of oil equivalent (million barrels)</b>	<b>8</b>	<b>13</b>	<b>19</b>

### SPE definitions

Reserves represent that part of resources which are commercially recoverable and have been justified for development, while contingent and prospective resources are less certain because some significant commercial or technical hurdle must be overcome prior to there being confidence in the eventual production of the volumes. Carnarvon does not yet have reported reserves.

Contingent resources are less certain than reserves. These are resources that are potentially recoverable but not yet considered mature enough for commercial development due to technological or business hurdles. For contingent resources to move into the reserves category, the key conditions, or contingencies, that prevented commercial development must be clarified and removed. As an example, all required internal and external approvals should be in place or determined to be forthcoming, including environmental and governmental approvals. There also must be evidence of firm intention by a company's management to proceed with development within a reasonable time frame (typically 5 years, though it could be longer).

Prospective resources are estimated volumes associated with undiscovered accumulations. These represent quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from oil and gas deposits identified on the basis of indirect evidence but which have not yet been drilled. This class represents a higher risk than contingent resources since the risk of discovery is also added. For prospective

resources to become classified as contingent resources, hydrocarbons must be discovered, the accumulations must be further evaluated and an estimate of quantities that would be recoverable under appropriate development project(s) prepared.

### **Additional resource information**

All resources presented in this announcement are prepared as at 15 July 2019 and 2 May 2022 pursuant to the announcements released to the ASX on 15 July 2019 and 2 May 2022.

The estimates of contingent and prospective resources included in this presentation 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 presentation, and that all material assumptions and technical parameters underpinning the estimates in this presentation continue to apply and have not materially changed.

Deterministic and probabilistic methods have been used to prepare the estimates of resources.

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.

### **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 the ASX Listing Rules and has consented to the form and context in which this statement appears.

### **Forward-looking statements**

This announcement 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.