

Quarterly Activities Report

For the period ended 31 December 2023

Carnarvon Energy (**ASX:CVN**) (**Carnarvon**) is pleased to provide an update on the company's activities and financial position as at 31 December 2023.

Quarter highlights

- Restructured Board of Directors (**Board**) with the appointment of Russell Delroy and Will Barker as non-executive directors, and the retirement of Adrian Cook, Peter Moore and Debra Bakker
- Amalgamation of Chief Executive Officer (**CEO**) and Chief Operating Officer (**COO**) roles, with the promotion of Philip Huizenga to CEO
- Strategic objectives of the company refined, with the reconstituted Board and management team aligned on driving strategy forward, and growing shareholder value
- Clear commitment to preserving Carnarvon's strong balance sheet with A\$176m in cash, no debt and US\$90m Dorado development cost carry
- Reduction in Carnarvon's corporate and administrative cost base underway
- Dorado FEED work continuing in collaboration with the operator, Santos, with a focus on Pavo integration and cost optimisation

Board and management changes

During the quarter, Carnarvon made some significant changes to its Board and management.

Russell Delroy and Will Barker were appointed to the Board as non-executive directors. Former non-executive directors, Peter Moore and Debra Bakker, retired from the Board.

Long-time Managing Director and CEO Adrian Cook also stepped down from his position(s). The roles of CEO and COO were merged, with Philip Huizenga promoted to CEO.

Existing Chair, Bill Foster, and non-executive director, Gavin Ryan, will remain on the Board with the intention to retire prior to, or at, Carnarvon's 2024 Annual General Meeting. The Board has commenced a succession process to identify and appoint new, high calibre, individuals to replace Mr Foster and Mr Ryan.

Following these changes, the reconstituted Board and management team have refined Carnarvon's strategic objectives with a commitment to the following priorities:

- **Preserve existing balance sheet strength:** Commitment to no new material acquisitions. This will protect Carnarvon's ability to fund its share of the Dorado development and the primary underwriting of the company's valuation. It also provides optionality and patience in realising the right value outcomes from the existing asset base;

- **Significantly reduce the corporate and administrative cost base:** Targeting material reduction in forward administrative and corporate costs following a further reduction in personnel, and other cost reduction initiatives. This is an ongoing process which will be reassessed on a regular basis to ensure a fit for purpose cost base; and
- **Maximise value from the existing asset base:** Carnarvon continues to support development and optimisation of the Dorado Phase 1 liquids development with its Joint Venture partners Santos and CPC Corporation, Taiwan, in a fiscally conservative manner. In addition, the company is working with the Joint Venture to progress drilling high priority targets within the Bedout Sub-basin, which is arguably the best offshore exploration acreage in Australia. Carnarvon is also considering other opportunities to realise shareholder value through a corporate sale or asset divestment via a coordinated process.

Carnarvon's CEO, Philip Huizenga, commented:

"I would like to thank Adrian, Peter and Debra for their dedicated service and guidance to the company over these past years. Much of the credit for the platform afforded to me as the new CEO of Carnarvon is due to these individuals.

I welcome Russell and Will to the Board and look forward to working with them. The Board and management team are aligned on the company's refined strategic priorities, and driving this strategy forward as we seek to unlock the significant inherent value of the Dorado and Pavo fields and broader Bedout Sub-basin.

I am extremely excited to take on the role of CEO, and committed to leading Carnarvon through the next phase of its life and growing shareholder value.

Due to the strength of its balance sheet, Carnarvon has a unrivalled platform from which to deliver value from the largest undeveloped oil field in Australia."

Project development

Dorado WA-64-L and Pavo WA-438-P (Carnarvon 10%-20%; Santos is the Operator)

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 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 and continuing into the new year, the Joint Venture progressed project engineering works with a major focus on the integration of the Pavo field and optimisation of the proposed Dorado facilities. As part of the optimisation workflows, the Joint Venture is reviewing

various opportunities to reduce the upfront development costs and reduce the time to first oil and cashflows.

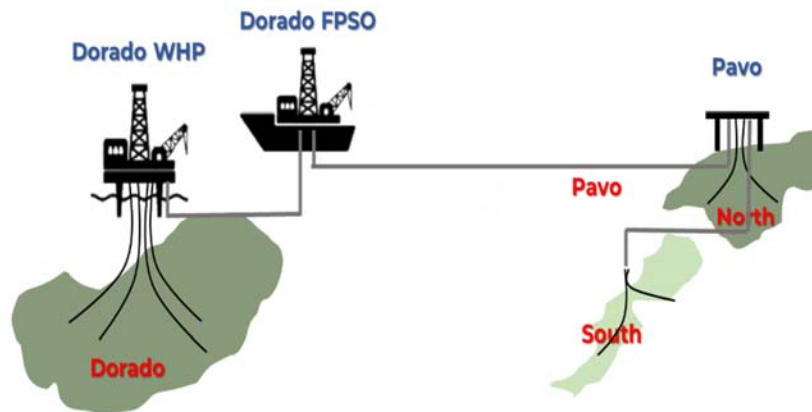


Figure 1: Illustration of potential Dorado FPSO and tie-backs of Pavo North and Pavo South

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.

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).

In terms of future exploration activities, the Joint Venture is seeking to secure a rig to drill near-field prospects to increase the future resource base and infill for the Dorado facilities, and is also reviewing potential gas exploration targets to underpin the eventual Phase 2 gas development.

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 potential 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.

Recent studies have concentrated on the exploration prospectivity in the northern blocks, particularly around the Ara prospect, as this gas-prone target has the potential to enhance the value for the Phase 2 gas export development.

Carnarvon was pleased Environment Plans (**EPs**) relating to the Scarborough and Barossa LNG projects have recently been approved, as well as EPs associated with exploration drilling by other operators. These regulatory approvals, as well as the recent dismissal by the Federal Court of a separate activist action against the proposed Barossa pipeline, bode well for oil and gas industry in Australia as a whole.

Notwithstanding these positive developments, the precise timing for the next round of exploration drilling in the Bedout Exploration Permits is dependent on the timing for regulatory approvals (particularly the new consultation process relating to the preparation of EPs), as well as suitable drilling rig availability, and customary Joint Venture approvals.

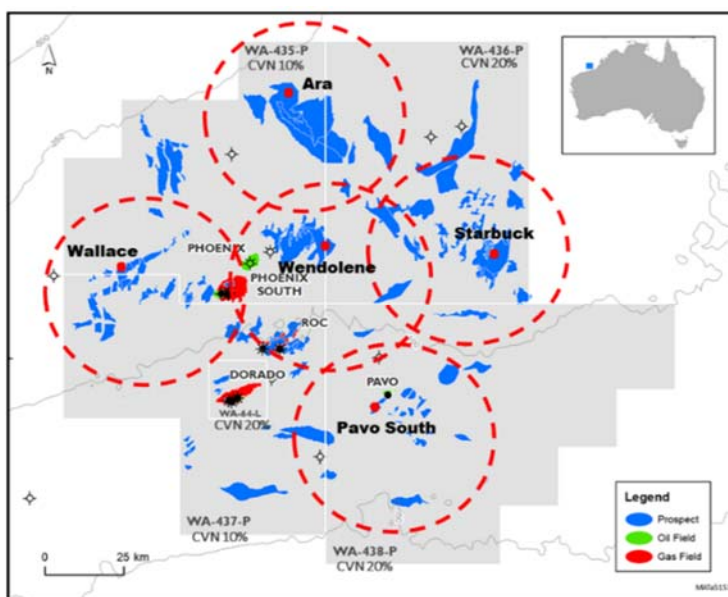


Figure 2: Showing five high graded potential well targets, and the related clusters which would be de-risked in the case of a successful well.

Carnarvon continues to work closely with the operator, Santos, to source a rig for potential drilling in late 2024, with a view to updating the market later in the year.

Other exploration

WA-155-P (Carnarvon 100%)

During the quarter, Carnarvon, Skye Exploration Pty Ltd and Skye Resources Pty Ltd (**Skye Resources**) agreed to terminate the sale agreement between them in relation to the divestment of Exploration Permit WA-155-P (**WA-155-P**) from Carnarvon to Skye Resources for nominal consideration.

Carnarvon subsequently applied to surrender WA-155-P consistent with its continued focus on exploration activities within the highly prospective and proven Bedout Sub-basin.

The application is currently being considered by the regulator.

Corporate

Funding

Carnarvon continued preparatory work to fund its share of the Dorado development costs. Engagement with a broad range of funding sources is ongoing and constructive.

At the present time, the company does not expect that further equity will be required for the Dorado Phase-1 liquids development.

Carbon offsets

Carnarvon has been monitoring recent changes to the Commonwealth Government's Safeguard Mechanism for emissions reductions, and is actively managing the company's exposure to carbon offset costs.

As a result of these changes, during the quarter Carnarvon acquired 20,240 Australian Carbon Credit Units (**ACCUs**) on market, which will be utilised to offset the company's head office and future Dorado facilities emissions.

Carnarvon expects that the ACCUs acquired will be sufficient to offset its share of emissions reduction requirements under the Safeguard Mechanism for at least the first 5 years of Dorado production (depending on project scope).

Other

Carnarvon is targeting a material reduction in forward corporate and administrative costs following a further reduction in personnel, and other cost reduction initiatives. This is an ongoing process which will be re-assessed on a regular basis to ensure an optimal cost base whilst maintaining the company's capabilities to deliver its projects.

The company completed a minimum holding buy-back in November 2023. 2,479,124 ordinary shares were purchased under the buy-back, comprising 1,583 shareholders (representing ~13.7% of the company's total shareholder base). This allowed shareholders with a shareholding of less than \$500 to sell their shares without incurring brokerage and other expenses. It also enables the company to reduce the administrative costs associated with maintaining several thousand small shareholdings.

Cash and liquidity position

The company ended the quarter with A\$176 million in cash, and no debt. Carnarvon also maintains US\$90 million in Dorado development cost carry.

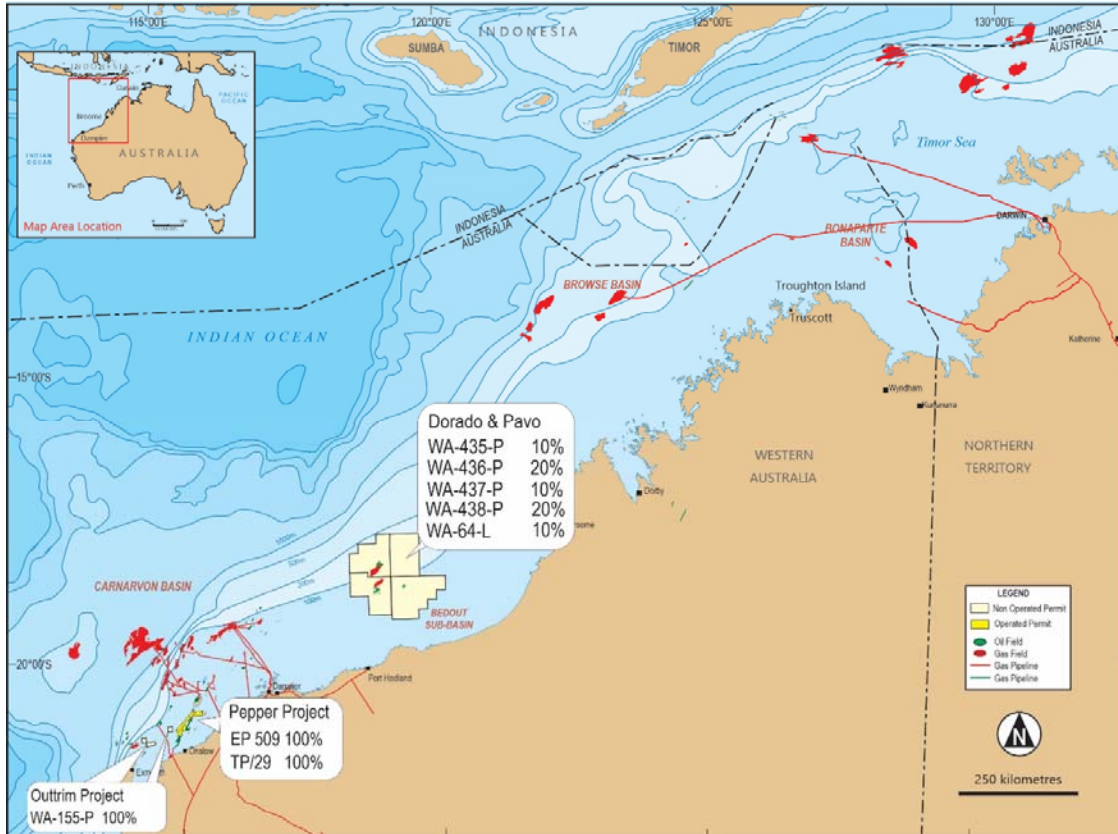
The reduction in cash from the previous quarter is primarily due the impact of a depreciation of USD in comparison to AUD on the portion of the company's funds which are held in USD.

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.

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 (d)	Staff costs	Staff costs include employee salaries and on costs. During the quarter, the company made a number of redundancies / terminations 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, 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.
1.7	Government grants and tax incentives	This item includes a Research and Development Tax Incentive payment received during the quarter in relation to the company's 2022 income tax return.
2.1 (d)	Exploration and evaluation costs capitalised	During the quarter, Carnarvon incurred a net outflow of A\$1,481,000 on exploration and evaluation activities which primarily related to the Dorado development concept, Pavo integration workflows and the maturation of exploration prospectivity within the company's Bedout Exploration Permits.
2.1 (e)	Investments	During the quarter, the company acquired approximately 20,000 Australian Carbon Credit Units (ACCU) to offset future emissions which will be required under the Safeguard Mechanism. The company is taking a proactive approach towards acquiring ACCUs while market prices remain low, particularly in relation to future emissions offset requirements for the proposed Dorado facilities.
2.2 (b)	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. During the quarter, the company was required to reimburse CPC for its share of the existing cash balance within the Dorado and Bedout Joint Ventures, as part of a standard post transaction completion adjustment.
3.3	Proceeds from exercise of options / ESP	During the quarter, some outstanding Employee Share Plan loans were repaid on vested employee shares. Payments are reflected as cash received by the company.
3.9	Other	During the quarter the company completed a Minimum Holding Buy-back which resulted in a buy-back of \$384k plus costs. This item also 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 remuneration for the Managing Director and Non-Executive Directors. The current period included a one-off termination payment following the Board and Management changes announced in December 2023.
8.0	Future operating activities	For the upcoming quarter, Carnarvon has forecast A\$700k-\$1million expenditure in the Bedout Sub-basin and A\$800k -\$1 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 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")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(220)	(502)
(b) development	-	-
(c) production	-	-
(d) staff costs	(1,645)	(2,518)
(e) administration and corporate costs	(483)	(1,495)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1,836	3,108
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	245	245
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(267)	(1,162)
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	(1,481)	(938)
(e) investments	(618)	(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 (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	(396)	86,365
	(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)	(22)	(47)
2.6	Net cash from / (used in) investing activities	(2,517)	84,762

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	687	687
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)	(444)	(503)
3.10	Net cash from / (used in) financing activities	243	184

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	183,075	95,301
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(267)	(1,162)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,517)	84,762
4.4	Net cash from / (used in) financing activities (item 3.10 above)	243	184

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(4,524)	(3,075)
4.6	Cash and cash equivalents at end of period	176,010	176,010

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	12,829	11,826
5.2	Call deposits	163,181	171,249
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)	176,010	183,075

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	934
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)	(267)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,846)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(2,113)
8.4 Cash and cash equivalents at quarter end (item 4.6)	176,010
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	176,010
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	83.3
<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: 31 January 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.