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ANNUAL REPORT

2023



CORPORATE DIRECTORY

Directors

WA Foster (Chair)
AC Cook (Managing Director)
D Bakker (Non-Executive Director)
P Moore (Non-Executive Director)
SG Ryan (Non-Executive Director)

Company Secretary

A Doering
G Sproule

Auditors

Ernst & Young

Bankers

Australia and New Zealand Banking Group Limited
Commonwealth Bank of Australia
National Australia Bank Limited
Macquarie Bank Limited

Registered Office

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Corporate Governance statement: carnarvon.com.au/about-us/corporate-governance/

Share Registry

Link Market Services Limited
Level 12, QV1 Building
250 St Georges Terrace
Perth, WA 6000 Australia

Investor Enquiries: 1300 554 474 (within Australia)
Investor Enquiries: +61 1300 554 474 (outside Australia)
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Stock Exchange Listing

Carnarvon Energy Limited's shares are quoted on the Australian Securities Exchange.
ASX Code: CVN - ordinary shares

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CONTENTS

Chair's Review	2
Managing Director's Review	4
Operating and Financial Review	6-24
Directors' Report	25-45
Auditor's Independence Declaration	46
Corporate Governance Statement	47
Consolidated Income Statement and Other Comprehensive Income	48
Consolidated Statement of Financial Position	49
Consolidated Statement of Changes in Equity	50
Consolidated Statement of Cash Flows	51
Notes to the Financial Statements	52-91
Directors' Declaration	92
Independent Audit Report	93-97
Additional Shareholder Information	98-99

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CARNARVON ENERGY LIMITED
("CARNARVON" OR "COMPANY")

CHAIR'S REVIEW



While global market turbulence and uncertainty has proven a challenge to negotiate over the course of the last twelve months, I believe there has been merit in being prudent during this time to ensure the Company remains on a strong footing to progress its world class assets.

To that end, your Company is in good standing, with considerable funds available for investment in a quality development asset in Dorado and unrivalled exploration opportunities in the Bedout Sub-basin, offshore Western Australia.

Over the course of the last twelve months, the Company has made clear and tangible progress in high grading its exploration portfolio, with a particular focus now on the Bedout Sub-basin offshore Western Australia and progressing financing for the Dorado development within this basin.

While I would like to thank the Carnarvon team who worked hard to prepare the Dorado asset for a Financial Investment Decision (FID), I would also like to record my personal frustration with the progress of development, especially around the delay to FID that we reported to shareholders in August 2022. Our partner and operator of the Dorado development has not progressed development activity at a pace that Carnarvon wishes, despite best efforts by Carnarvon. This delay to FID had a knock-on impact to Carnarvon's share price which was particularly disappointing for shareholders. Strategically, we had been running multiple funding options that enabled us to secure capital for the Dorado development from an asset sell down rather than an equity raising.

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The decision to sell a 10% equity in the Dorado and Pavo fields, along with a 10% interest in the Company's four Bedout exploration blocks to CPC Corporation, Taiwan (CPC), Taiwan's national oil and gas company, ensures the Company is in a very strong and self-sufficient financial position.

I'm very pleased that, at the time of writing this report, we have successfully completed the divestment and I welcome CPC to the Bedout Joint Venture.

Decarbonisation efforts to mitigate climate change worldwide have accelerated in recent times, though there are many obstacles, including available finance and technology solutions. Carnarvon has experienced this first-hand in its efforts to produce renewable energy products. This has resulted in the Company taking a cautious approach to investing in this area until solutions to these challenges are better defined. Whilst renewable energy has been the main technical solution to decarbonisation, the need for petroleum products remains and will do so well beyond 2050.

Adherence to the environmental, social and governance policies that Carnarvon has adopted has been excellent, and carbon emissions from Carnarvon's current activities have been offset. These policies are also constantly reviewed to match regulatory requirements and community expectations and the Company is active in mitigating the risks associated with future offsetting of its scope 1 and 2 emissions.

During the past year, Carnarvon staff have demonstrated a dedication to furthering the future of the Company and my fellow Board members have provided excellent counsel in developing the strategies for the Company's future, and the execution of these. I wish to thank everyone for their efforts in what has been a difficult climate to progress activity.

For those shareholders who have been with us on the journey throughout the past year and beyond, my appreciation for the patience you have demonstrated and for your continued support of the Company.

William (Bill) Foster
Chair

CARNARVON

MANAGING DIRECTOR'S REVIEW



Carnarvon's core asset base, and business focus, lies in the Bedout Sub-basin offshore Western Australia that includes the world class Dorado and Pavo discoveries.

The Dorado oil and gas discovery, of which Carnarvon holds a 10% equity interest following the post year-end divestment to CPC, was made in 2018 and at 162 MMbbl recoverable (Pmean, gross) (see page 15), is one of the largest oilfields discovered in the Northwest Shelf.

Two successful appraisal wells in 2019 allowed for the commencement of Front-End Engineering and Design (FEED) for development of the Dorado field, with the Joint Venture subsequently securing the key regulatory approvals needed for development in the form of a Production Licence and Offshore Project Proposal.

Drilling close to Dorado resulted in the discovery of the Pavo oilfield in 2022 at 43 MMbbl recoverable (Pmean, gross) (see page 15). Carnarvon holds a 20% equity interest in this field following the divestment to CPC.

Despite the Dorado development being technically ready for FID during the past year, the decision was made to defer FID in August 2022 due to global cost and supply chain reasons. Disappointingly, at the end of the period, the FID for the Dorado development is yet to be realised, with the Joint Venture planning for FID in 2024.

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At all times during this journey Carnarvon has been working to be financially ready to commit to the project. A very significant effort has been made with proposed lenders and potential investors to meet Carnarvon's required funding commitment for the project. The Company continues to focus on ensuring a strong financial position is maintained for it to be FID ready.

At the current time, the Company is in a very strong financial position having \$319 million in liquidity, comprising cash of \$181 million and \$138 million in future contribution to Carnarvon's Dorado development costs. In addition to these amounts, we expect to secure debt finance from a range of lenders for the Dorado development.

The exploration potential of the Bedout blocks surrounding the Dorado and Pavo fields is significant, with the twenty best exploration targets alone containing a risked potential resource of 1.5 billion boe (Pmean, gross) (see page 17). Realisation of this huge potential will be achieved through successful drilling and development, which is the key to the large financial rewards that shareholders have been waiting for. Every effort is being made by the Board, management and staff of Carnarvon to ensure the Joint Venture moves towards this goal.

The Company has also been working towards building a sustainable renewable fuels business. The technology for this business has required a more extensive assessment than was initially expected, albeit Carnarvon's strong technical and commercial discipline has shown potential for this to result in a future commercial project.

I would like to thank the Board and Carnarvon staff for their support and dedication this year and in the year ahead as we focus on progressing the Dorado development to FID and maturing the vast opportunities within the Bedout Sub-basin, as well as the renewable fuels business and possible inorganic growth opportunities.

Adrian Cook

Managing Director and Chief Executive Officer

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OPERATING AND FINANCIAL REVIEW

Highlights for the Company during the 2023 financial year were:

- Binding agreement signed to divest a 10% interest in the Company's Bedout assets to OPIC Australia Pty Limited, a wholly owned subsidiary of CPC Corporation, Taiwan (CPC), Taiwan's national oil and gas company to significantly de-risk the Company's financing of the Dorado development. Divestment completed post year-end in August 2023.
- Acceptance of the Dorado Offshore Project Proposal (OPP), a key regulatory approval towards the sanction of the Dorado development.
- Pavo integration studies matured further, underpinning its low-cost compatibility with the Dorado facilities.
- Interpretation of recently acquired 3D seismic data has substantially high-graded the Bedout exploration portfolio with over 100 prospects identified and the top 20 identified prospects hosting 1.5Bboe (Pmean gross) (see page 17).

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Pepper Project

EP 509 100%

TP/29 100%

Outtrim Project

WA-155-P 100%

Onslow

OPERATING AND FINANCIAL REVIEW

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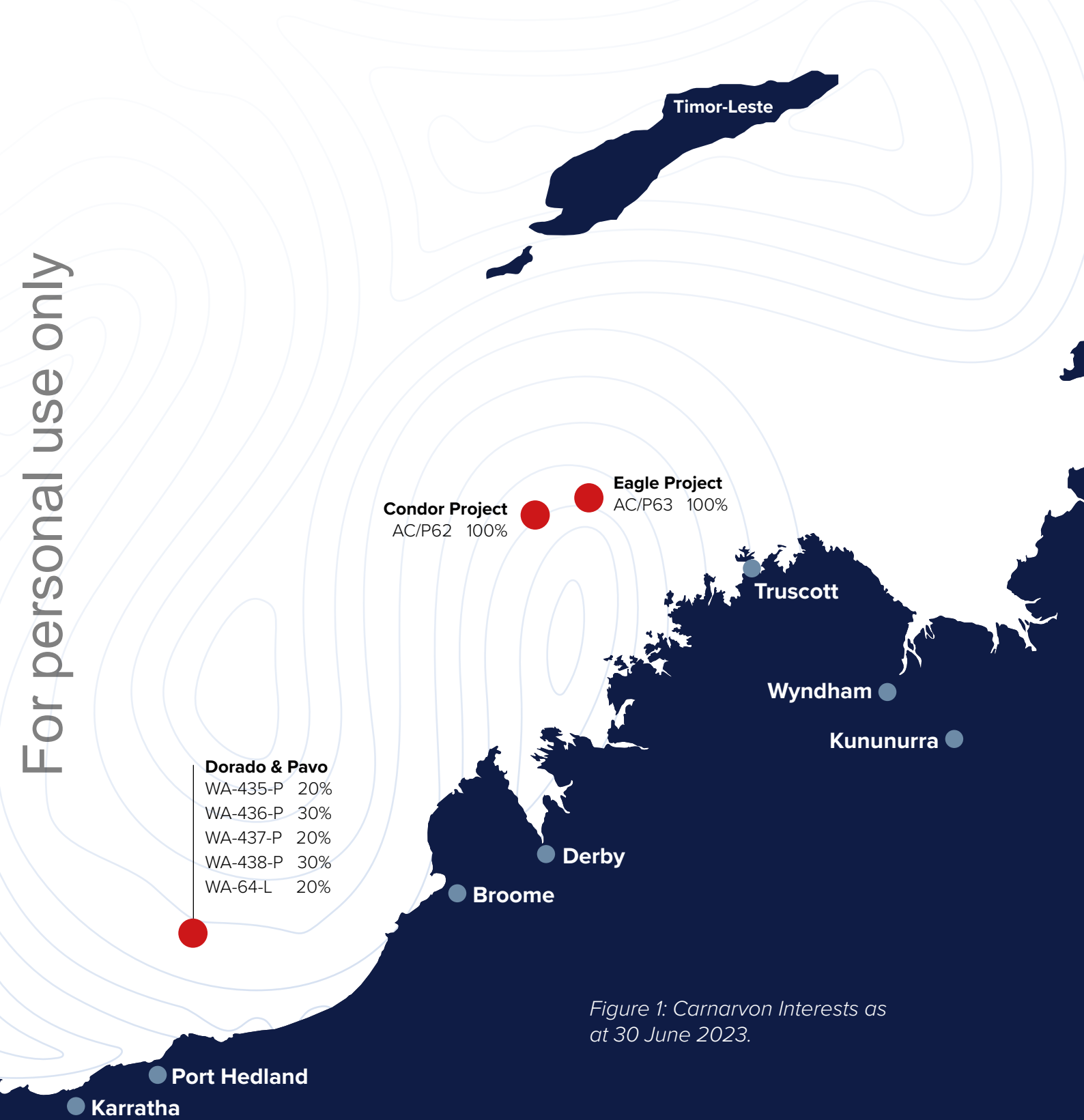


Figure 1: Carnarvon Interests as at 30 June 2023.

OPERATING AND FINANCIAL REVIEW

Dorado Project Background

Carnarvon secured its interests in the Bedout Sub-Basin permits (WA-435-P, WA-436-P, WA-437-P and WA-438-P) in 2009. The offshore permits cover an expansive area of 21,652km² which is located approximately 110km from the coast, offshore of Port Hedland in Western Australia.

Historically, the Bedout Sub-Basin was significantly underexplored in comparison to the prolific Carnarvon Basin to the south-west and the Bonaparte Basin to the north-east. Exploration drilling within the area was limited to a string of four wells in the 1970's, which were followed by the Phoenix-1 and Phoenix-2 wells drilled in the early 1980's. At the time, the Phoenix wells were considered gas discoveries and were not pursued further. The unexplored potential across this vast area and the presence of hydrocarbons within the region, led to Carnarvon's initial interest in the basin.

Carnarvon's preliminary work on the permits involved an extensive geological study and the acquisition of modern 3D seismic data which was a marked upgrade to the existing legacy 2D seismic. The 3D seismic acquisition confirmed two significant prospects in Phoenix South within WA-435-P and Roc in WA-437-P.

As a result, interest in the permits grew and the Bedout Joint Venture (**Joint Venture**) farmed out equity in the project to new partners who funded the exploration drilling costs to test the Phoenix South and Roc targets.

The Phoenix South-1 well was drilled in 2014, discovering light oil within a high-quality reservoir. The discovery at Phoenix South was followed by the discovery and appraisal of a condensate rich gas in the Roc field. These results proved to be the catalyst for this region which warranted further exploration.

In 2018, the Dorado-1 exploration well discovered a significant light oil column in the primary Caley Member, and condensate rich gas in four additional reservoirs. The subsequent appraisal of the Dorado discovery was successfully completed with the well test results exceeding pre-test expectations and confirming the high quality of the reservoirs in Dorado. Dorado is a world class discovery which has ignited interest in the Bedout Sub-basin and has proven to be transformational for the Company.



Figure 2: Image of Noble's Tom Prosser rig on site during the Dorado Appraisal campaign.

OPERATING AND FINANCIAL REVIEW

Dorado Development (WA-437-P) (Carnarvon 20% (pre-divestment), Santos is the Operator)

The Dorado Field is located approximately 140 km north of Port Hedland in the Bedout Sub-basin with water depths of approximately 90 metres.

Dorado consists of five separate light oil and rich gas condensate accumulations, with high quality hydrocarbon fluids within excellent quality reservoirs.

Production of the large quantities of valuable hydrocarbons at the Dorado Field are planned over a multi-phased development, with the initial development (Phase 1) involving the extraction of the liquids (oil and condensate), targeting a 2C contingent resource of 162 million barrels (gross) (see page 15).

Gas and LPG's from the field will be re-injected before being assessed for subsequent production in a second stage of development (Phase 2). The reinjection of gas during Phase 1 is expected to considerably enhance the recovery of liquids from the field. As a result, the initial gross oil production rate from the field is targeted for between 75,000 and 100,000 barrels per day.

Plans for the Phase 1 development consist of a single Wellhead Platform (WHP) in 90 meters of water depth, connected to a nearby Floating Production Storage and Offloading (FPSO) vessel via sub-sea flowlines and control lines.

The FPSO is planned to be located around two kilometres from the WHP and will be connected to the seabed by a disconnectable turret mooring system. The FPSO includes the processing facilities for the oil and gas being delivered from the reservoir via the wells and the WHP. It also allows for storage of oil and condensate as well as offloading to a separate oil transport tanker.

The scale and quality of the Dorado Project has enabled the Joint Venture to progress the project through the development planning phase with the Front End Engineering Design (FEED) process now substantially complete. However, in August 2022, the Joint Venture, with consideration of the inflationary cost environment and period of supply chain uncertainties, adopted a prudent approach which did not support a Final Investment Decision (FID) in 2022. With costs now beginning to stabilise, the Joint Venture expects the Dorado Project FID during 2024.

Despite the delay, the Joint Venture has continued to progress the activities required to support sanctioning the Dorado development and achieved some key milestones during the period.

In February 2023, the Offshore Project Proposal (OPP) for the Dorado development was approved by the regulator, which is a key regulatory approval required for the development. The OPP provides approval for the Dorado Phase 1 liquids development (including the re-injection of gas to enhance resource recovery), as well as the tie-back of future resources to the Dorado facilities, such as the Pavo oil discovery.

The Company also continued to make good progress on the necessary work to ensure that it has the required funding for its share of the Dorado Phase 1 development costs via debt funding and partial divestment of the Bedout portfolio.

During the year, Carnarvon entered into a binding agreement to divest a 10% interest in its Bedout assets to OPIC Australia Pty Limited, a wholly owned subsidiary of CPC Corporation, Taiwan (CPC), Taiwan's national oil and gas company, subject to conditions precedent. The transaction was completed following the end of the period in August 2023.

Under the agreement, Carnarvon will receive a total cash consideration of US\$148MM. This comprised an upfront payment of US\$58MM on completion of the transaction, and a further carry of US\$90MM of Carnarvon's forward expenditure in the Bedout permits once FID is taken on the Dorado development.

The proceeds from the divestment, together with prospective debt finance and Carnarvon's existing cash, will be used to fund Carnarvon's share of the Dorado development costs along with further activities that include exploration in the Bedout Sub-basin and appraisal of the recent Pavo discovery.

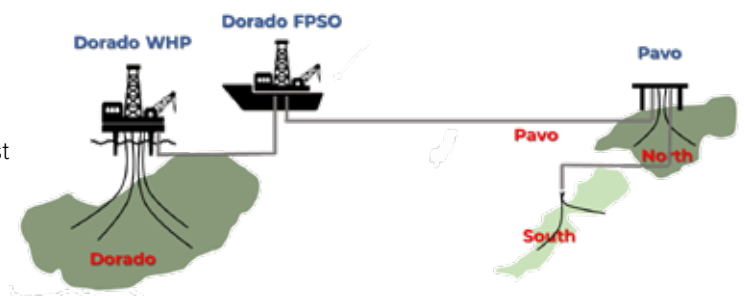


Figure 3: Proposed Dorado Field Development Layout and tie-backs of Pavo North and Pavo South.

OPERATING AND FINANCIAL REVIEW

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Pavo Oil Discovery (WA-438-P) (Carnarvon 30% (pre-divestment), Santos is the Operator)

In 2022, Carnarvon and its Joint Venture partner made another successful discovery with the Pavo-1 exploration well, which encountered a 60-meter gross oil column within the Caley Member. The oil column is wholly contained within the northern culmination of the Pavo structure (Pavo North) (Figure 3) and is assessed to contain a 2C contingent resource of 43 million barrels of oil (mmbbls) gross (see page 15).

Importantly, the discovery, which is located 46 kilometers east of Dorado, provides valuable back-fill potential to the proposed Dorado facilities.

During the period, the Joint Venture made significant progress on the Pavo Assess Phase Study to determine the preferred development for the Pavo Field and to ensure that any requirements for modifications to the previously completed design for the Dorado FPSO, topsides and WHP are understood to allow for optimal tie-back. The study concluded that the recommended development option for the Pavo field is in fact a tie-back to the Dorado facilities with some changes to the FPSO design.

The potential to tie-back Pavo liquids to the Dorado facilities is a significant opportunity for the Joint Venture as fluid production rates from Dorado are expected to naturally decline after a plateau period of

2-3 years, at which time there will be spare capacity in the crude oil handling facilities, allowing for back-fill from new fields such as Pavo (Figure 4).

The Pavo North oil discovery proves the extension of a working petroleum system some 46 kilometres east of Dorado and demonstrates that quality reservoir and trapping mechanisms are effective in this area, which hosts a suite of other exploration targets. These will now warrant further assessment for drilling.

Given its close proximity to Pavo North, and near identical prospect elements demonstrated by seismic, the Pavo South structure is interpreted to have an excellent geological chance of success (Figure 3). Indications of a deeper, residual or paleo-oil-water contact in the Pavo-1 well may indicate that the two Pavo culminations were connected at a previous point in time. If this was the case, a common deeper contact supports the charging of both structures with the same oil that was discovered in the Pavo North structure.

The Pavo South resource (once drilled and confirmed) could also be tied-back with additional wells potentially being connected to the Pavo facilities (Figure 3).

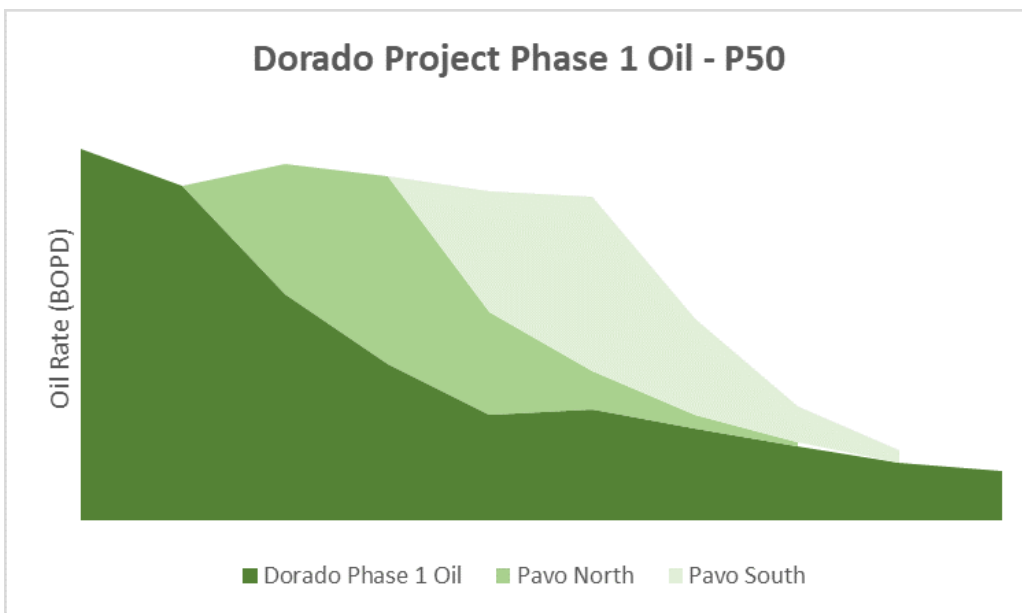


Figure 4: Illustration of the potential to optimise Dorado facilities' production capacity and demonstrating the flexibility to incorporate future resources such as Pavo.

OPERATING AND FINANCIAL REVIEW

Exploration – Greater Bedout Area (WA-435-P, WA-436-P, WA-437-P and WA-438-P) (Carnarvon 20%-30% (pre-divestment), Santos is the Operator)

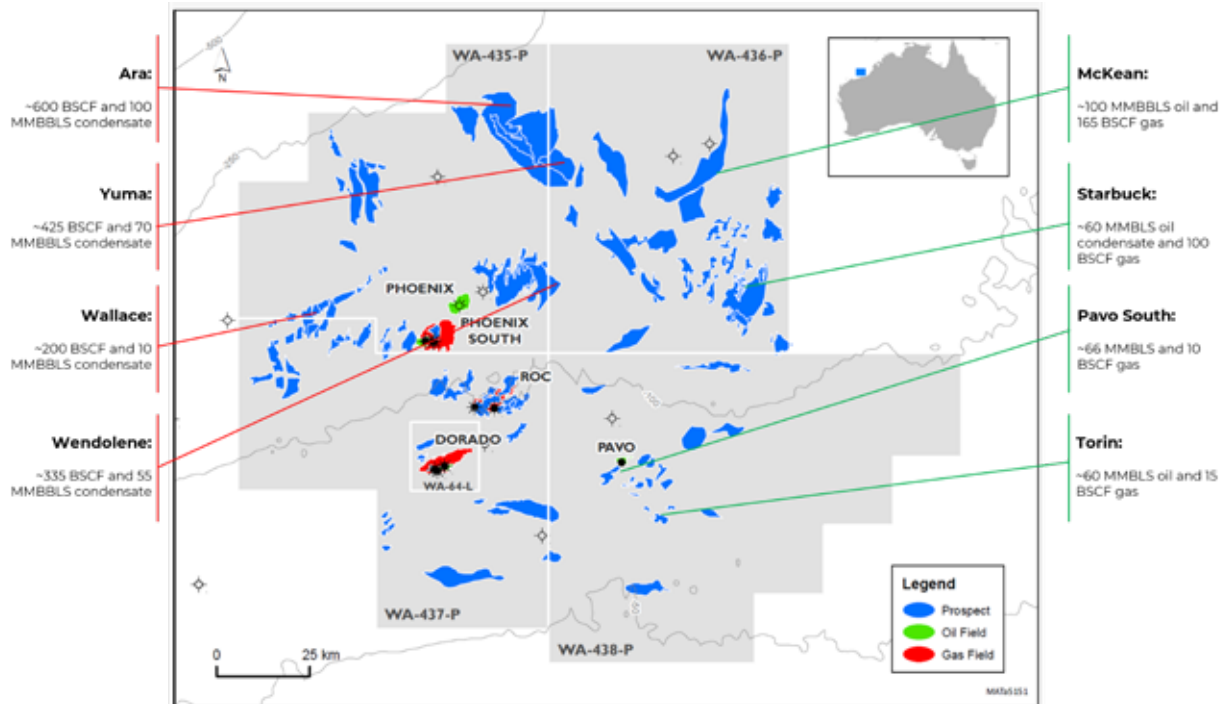


Figure 5: Bedout Prospect and Lead Map with some key prospect locations and volumes highlighted

During the Financial Year, Carnarvon received the final processed products for the Archer Full Integrity (FI) 3D seismic, Dorado Multi-azimuth (DORMAZ) 3D and Keraudren Extension FI 3D datasets. These surveys targeted the highly prospective Archer Formation, which includes the prolific Caley Member, the primary reservoir for the Dorado, Roc and Pavo discoveries.

The Archer and DORMAZ 3D seismic volumes encompass differing areas of the WA-437-P permit, with a clear focus on providing the best seismic imaging possible of the Dorado Field and surrounding prospectivity. The Archer 3D covers the Dorado field and immediate area South-West of the field.

The DORMAZ 3D is a merged final product of the Archer, Keraudren and Capreolus 3D seismic volumes, which in turn provides multiple azimuth imaging and the most accurate representation of the Dorado Field.

The Keraudren Extension FI 3D volume covers the southern portion of the WA-436-P permit, which in

addition to the Zeester MC3D over the northern sections, now provides contiguous seismic coverage over 97% of the permit. The permit was previously imaged on the Bilby 2D seismic dataset, incorporating very large grid spacing of 8km², meaning a field the size of Dorado could be missed with just the 2D.

Initial interpretation of the Keraudren Extension FI seismic volume shows a step-change in seismic imaging from the Keraudren Extension Fast-Track 3D seismic volume with the Joint Venture highly encouraged by initial seismic interpretation of the 3D seismic volume. Multiple new prospects have been identified at numerous stratigraphic levels and the Joint Venture has consolidated its geological understanding of previously identified prospects (Figure 5).

Following the seismic acquisitions over the recent years, 68% of the Bedout acreage is now covered by modern 3D seismic, which significantly enhances the

OPERATING AND FINANCIAL REVIEW

Company's understanding of the Bedout Sub-basin's prospectivity.

From the interpretation of 3D seismic volumes so far, the Joint Venture has identified more than 100 prospects across the Bedout acreage, covering a broad range of play styles. Following the Pavo-1 discovery, the top five prospects for each permit were re-assessed, with potential high grading to drilling status. These prospects contain both liquids and gas targets.

The mean prospective resources of the top 20 prospects aggregate to over 1.5 billion barrels of oil equivalent (Pmean, gross) (see page 17). This, and the high average probability of geological success, emphasizes the potential for more discoveries in the highly prospective Bedout Sub-basin.

The Joint Venture is now high-grading prospects for potential inclusion in near term drilling campaigns.

One such prospect is Ara, which is a 600 bcf prospective gas field with 100 million barrels of associated condensate (Pmean, gross) (see page 17) and has benefited from a review of the reprocessed Zeester 3D. Ara is significant in terms of the size of the prospect itself, at 200 million barrels of oil equivalent (Pmean, gross), but also because exploration success in this northern area will de-risk numerous additional gas prospects in the vicinity such as Wendolene (335 bcf, Pmean, gross) and Yuma (434 bcf, Pmean, gross), which are similar in nature. Unlocking the gas play in this area has the potential to unlock several tcf of gas and provide further confidence for the Stage 2 gas development at Dorado.

Another standout prospect is Starbuck (76 mmboc, Pmean, gross) (see page 17) in WA-436-P. Starbuck is a structural trap with multiple stacked reservoir targets identified within the prolific Archer Formation. The prospect is now covered by the recently processed Keraudren Extension FI 3D seismic volume. Initial interpretation of the 3D seismic volume shows a significant uplift in seismic imaging over the prospect, with Joint Venture highly encouraged by the initial interpretation.

Towards the end of the period, a Declaration of Location was accepted by the regulator for graticular blocks which cover the nearby Roc discovery found in WA-437-P and Pavo North discovery in WA-438-P. The Declaration of Location is the first important step towards the Joint Venture applying for a Retention Licence or Production Licence over both respective Fields.

Pepper Project (EP509 & TP29)

(Carnarvon 100% and operator)

EP509 and TP29 (Pepper Project) are located in the Barrow Sub-basin of the Northern Carnarvon Basin, within State waters. Both permits sit within shallow water depths (less than 50 meters) and lie adjacent to each other, immediately south-west of Barrow Island, offshore Western Australia

The permit was acquired in June 2021 and contains several wells which encountered non-commercial hydrocarbon-bearing intervals. This includes the Pepper-1 well, which intersected a live hydrocarbon column in tight thinly-bedded turbidite sands of the Late Jurassic Dupuy Member within a mapped structural closure. Additionally, net hydrocarbon pay was also recorded in topsets of the Early Cretaceous Lower Barrow Group.

Based on sparse, poor quality 2D seismic data, it is possible the Pepper-1 well was not drilled in a crestal location for reservoir within the turbidite depositional system.

During the year, Carnarvon completed several studies to predict likely locations for improved reservoir quality. These include seismic reprocessing of pre-existing 2D seismic lines across the permit and investigatory reservoir studies. The seismic reprocessing of pre-existing 2D seismic line provided improved imaging of the Pepper reservoir interval as well providing a far more robust well-tie. Carnarvon is currently working on volumetrics for the Pepper prospect, with prospect having potential to provide additional resources to the Company's portfolio.

Renewable Fuels (Carnarvon 50%)

The Company is committed to a disciplined growth strategy in the renewable fuels sector. Over the course of the year, the Company continued to make steady progress in its renewable diesel project as part of the FutureEnergy Australia ("FEA") joint venture. FEA's first project is a renewable diesel biorefinery in Shire of Narrogin.

FEA completed its FEED study with Technip for the Narrogin project and is focused on closing out the technology pathway prior to sanctioning FID.

The Company continues to see strong fundamentals for a commercial renewable fuels business case underpinned by received letters of intent for offtake and Government support initiatives.

OPERATING AND FINANCIAL REVIEW

In July 2022, Carnarvon welcomed the Western Australia state Government continued support for FEA with the provision of \$4.72 million funding from the Investment Attraction Fund for FEA's first biorefinery project.

Exploration Relinquishments and Transfers

During the period the regulator accepted the Company's request to relinquish Exploration Permits WA-521-P and WA-523-P (100% interest and operator). Despite the technical work demonstrating that these permits are prospective for liquid hydrocarbons, Carnarvon does not consider the identified prospects as core exploration targets.

Carnarvon also relinquished the TL-SO-T-19-14 PSC (100% interest and operatorship), offshore Timor-Leste following the disappointing Buffalo-10 well result. The Company has also commenced the process to wind-up its Timor-Leste subsidiary.

Carnarvon has submitted requests to relinquish the AC/P62 and AC/P63 Exploration Permits (100% interest and operatorship) located within the Vulcan Sub-basin. The regulator consented to surrender of these permits following the end of the period.

Towards the end of the period, Carnarvon entered into a sale agreement with Skye Exploration Pty Ltd and Skye Resources Pty Ltd (Skye Resources) to divest the whole of its interest in Exploration Permit WA-155-P (100% interest and operatorship) to Skye Resources for nominal consideration.

Due to the significant number and scale of the exploration prospects within the Company's Bedout Sub-basin interests, the Company is focusing its exploration efforts and expenditure towards unlocking the potential of the basin. As such, the relinquished and transferred permits have been determined to be non-core to the Company's exploration portfolio.



OPERATING AND FINANCIAL REVIEW

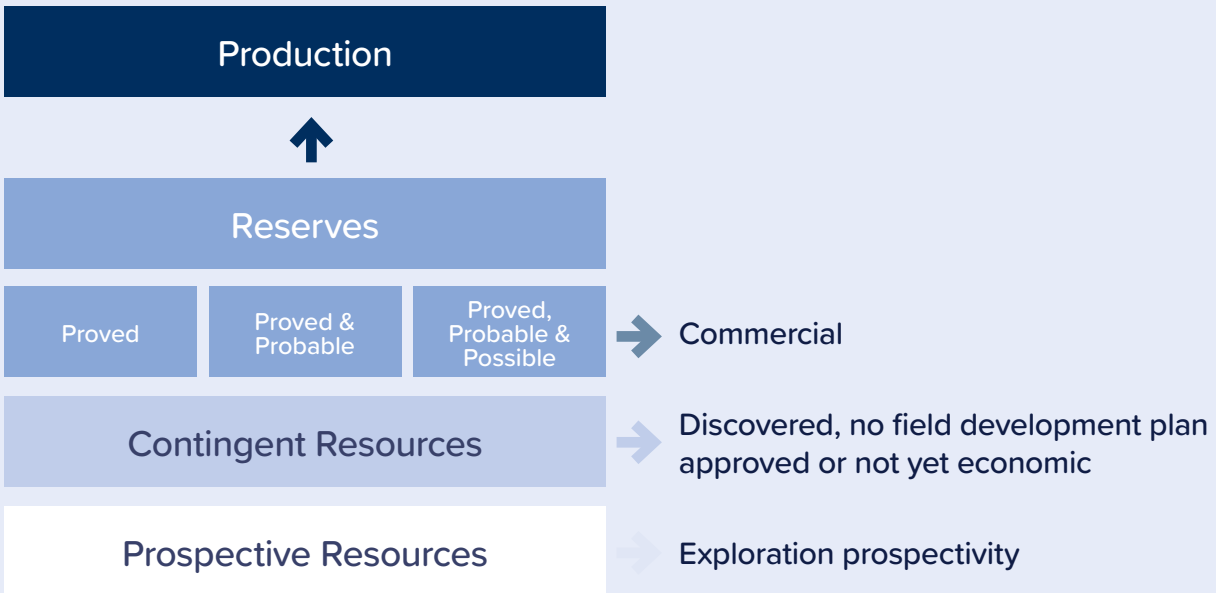
RESERVE ASSESSMENT

Petroleum Resource Classification, Categorisation and Definitions

Carnarvon calculates reserves and resources according to the Society of Petroleum Engineers' Petroleum Resource Management System ("SPE-

PRMS") definition of petroleum resources. Carnarvon reports reserves and resources in line with ASX Listing Rules.

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Reserves

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 commercial or technical hurdle must be overcome prior to there being confidence in the eventual production of the volumes.

Carnarvon does not yet have any reported reserves.

Contingent Resources

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). Based on the results of drilling and testing to date, the following Contingent Resource estimates are provided.

OPERATING AND FINANCIAL REVIEW

Gross Contingent Resources (100%)

Gross at 30 June 2022		Light Oil and Condensate			Free & Associated Gas			Barrels of Oil Equivalent		
Resource	Permit	MMSTB 1C	MMSTB 2C	MMSTB 3C	BSCF 1C	BSCF 2C	BSCF 3C	MMBOE 1C	MMBOE 2C	MMBOE 3C
Dorado	WA-437-P	86	162	285	367	748	1,358	176	344	614
Pavo	WA-438-P	26	43	62	6	11	17	27	45	65
Roc	WA-437-P	12	20	35	204	332	580	48	78	137
Phoenix South	WA-435-P	7	17	30	-	-	-	7	17	30
Phoenix	WA-435-P	2	7	16	-	-	-	2	7	16
Total		133	249	428	577	1,091	1,955	260	491	862

Technical Revision		Light Oil and Condensate			Free & Associated Gas			Barrels of Oil Equivalent		
Resource	Permit	MMSTB 1C	MMSTB 2C	MMSTB 3C	BSCF 1C	BSCF 2C	BSCF 3C	MMBOE 1C	MMBOE 2C	MMBOE 3C
Dorado	WA-437-P	-	-	-	-	-	-	-	-	-
Pavo	WA-438-P	-	-	-	-	-	-	-	-	-
Roc	WA-437-P	-	-	-	-	-	-	-	-	-
Phoenix South	WA-435-P	-	-	-	-	-	-	-	-	-
Phoenix	WA-435-P	-	-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-	-	-	-

Gross at 30 June 2023		Light Oil and Condensate			Free & Associated Gas			Barrels of Oil Equivalent		
Resource	Permit	MMSTB 1C	MMSTB 2C	MMSTB 3C	BSCF 1C	BSCF 2C	BSCF 3C	MMBOE 1C	MMBOE 2C	MMBOE 3C
Dorado	WA-437-P	86	162	285	367	748	1,358	176	344	614
Pavo	WA-438-P	26	43	62	6	11	17	27	45	65
Roc	WA-437-P	12	20	35	204	332	580	48	78	137
Phoenix South	WA-435-P	7	17	30	-	-	-	7	17	30
Phoenix	WA-435-P	2	7	16	-	-	-	2	7	16
Total		133	249	428	577	1,091	1,955	260	491	862

OPERATING AND FINANCIAL REVIEW

Net Contingent Resources (Carnarvon's Share)

Net at 30 June 2022

Resource	Permit	Light Oil and Condensate			Free & Associated Gas			Barrels of Oil Equivalent		
		MMSTB	MMSTB	MMSTB	BSCF	BSCF	BSCF	MMBOE	MMBOE	MMBOE
		1C	2C	3C	1C	2C	3C	1C	2C	3C
Dorado	WA-437-P	17	32	57	73	150	272	35	69	123
Pavo	WA-438-P	8	13	19	2	3	5	8	13	19
Roc	WA-437-P	2	4	7	41	66	116	10	16	27
Phoenix South	WA-435-P	1	3	6	-	-	-	1	3	6
Phoenix	WA-435-P	0	1	3	-	-	-	0	1	3
Total		29	54	92	116	219	393	55	103	179

Technical Revision

Resource	Permit	Light Oil and Condensate			Free & Associated Gas			Barrels of Oil Equivalent		
		MMSTB	MMSTB	MMSTB	BSCF	BSCF	BSCF	MMBOE	MMBOE	MMBOE
		1C	2C	3C	1C	2C	3C	1C	2C	3C
Dorado	WA-437-P	-	-	-	-	-	-	-	-	-
Pavo	WA-438-P	-	-	-	-	-	-	-	-	-
Roc	WA-437-P	-	-	-	-	-	-	-	-	-
Phoenix South	WA-435-P	-	-	-	-	-	-	-	-	-
Phoenix	WA-435-P	-	-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-	-	-	-

Net at 30 June 2023

Resource	Permit	Light Oil and Condensate			Free & Associated Gas			Barrels of Oil Equivalent		
		MMSTB	MMSTB	MMSTB	BSCF	BSCF	BSCF	MMBOE	MMBOE	MMBOE
		1C	2C	3C	1C	2C	3C	1C	2C	3C
Dorado	WA-437-P	17	32	57	73	150	272	35	69	123
Pavo	WA-438-P	8	13	19	2	3	5	8	13	19
Roc	WA-437-P	2	4	7	41	66	116	10	16	27
Phoenix South	WA-435-P	1	3	6	-	-	-	1	3	6
Phoenix	WA-435-P	0	1	3	-	-	-	0	1	3
Total		29	54	92	116	219	393	55	103	179

Prospective Resources

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.

OPERATING AND FINANCIAL REVIEW

Gross Prospective Resources (100%)

Permit	Carnarvon Energy Equity	Prospect	Liquids (Oil and Condensate; MMBBL)				Natural Gas (BSCF)				Barrels of Oil Equivalent (BOE)				Probability of Geological Success (Pg)	Risky Mean (MMBOE)
			P90	P50	Pmean	P10	P90	P50	Pmean	P10	P90	P50	Pmean	P10		
WA-435-P	20%	Ara	3.3	46.6	98.4	260.9	24.8	335.9	592.9	1,531.2	8.2	111.2	202.4	521.0	37%	74.9
		Bandy	4.5	49.3	73.5	171.9	6.6	79.8	131.1	318.7	5.9	65.4	96.5	227.1	31%	29.9
		Wendolene	3.6	24.4	55.1	147.5	29.7	171.6	334.7	859.2	9.7	57.2	114.7	295.7	15%	17.2
		Wallace	0.5	5.0	8.6	21.5	12.0	118.5	183.8	446.2	2.7	26.6	40.8	98.9	39%	15.9
		Bara	1.6	14.2	34.5	88.3	12.6	98.8	210.1	546.0	4.2	32.5	71.3	185.5	13%	9.3
WA-436-P	30%	Starbuck	8.2	39.0	58.4	131.9	13.9	66.9	100.5	228.9	11.4	52.1	76.0	172.7	32%	24.3
		McKean	3.3	39.5	98.8	260.6	5.3	63.0	164.1	438.3	4.4	52.2	127.6	336.0	14%	17.9
		Flint	6.6	28.6	43.1	97.1	10.8	48.5	73.5	166.6	9.0	38.1	56.0	124.7	30%	16.8
		Yuma	2.0	30.7	69.4	176.3	14.9	218.8	423.4	1,067.0	4.9	71.7	143.7	364.1	14%	20.1
		Arthur	6.7	34.3	56.1	129.5	10.9	57.2	95.7	223.7	9.1	45.8	72.9	168.6	9%	6.6
WA-437-P	20%	Vela	4.1	43.7	94.5	242.6	2.6	28.1	60.6	156.7	4.7	49.3	105.1	269.1	17%	17.9
		Petrus	5.7	22.6	40.5	95.3	8.5	35.2	60.5	140.1	7.8	29.2	51.1	119.8	29%	14.8
		Taurus	3.7	18.1	27.2	62.0	5.9	30.2	45.7	106.4	5.0	24.2	35.2	80.1	20%	7.0
		Diplock	3.8	14.6	18.3	37.4	5.2	20.8	26.5	55.3	5.1	18.6	22.9	46.3	29%	6.6
		Lund	1.7	9.6	14.8	33.9	42.3	212.9	299.6	668.7	9.4	48.2	67.4	149.3	8%	5.4
WA-438-P	30%	Pavo South	6.0	40.7	66.3	161.6	0.8	5.6	9.6	23.5	6.2	41.8	67.9	166.1	64%	43.5
		Torin	6.5	38.9	58.1	134.0	1.6	9.9	15.1	35.4	6.8	40.8	60.7	140.5	54%	32.8
		Orona	24.7	81.8	105.2	215.9	40.2	137.7	181.0	373.6	34.0	109.1	136.9	274.5	10%	13.7
		Diachi	1.7	10.2	14.8	33.3	0.4	2.6	3.8	8.8	1.7	10.7	15.5	34.9	54%	8.4
		Tucana	1.3	11.0	18.4	43.2	2.2	18.2	30.9	73.2	1.8	14.8	23.8	56.5	23%	5.5
Totals			100	603	1,054	2,545	251	1,760	3,043	7,468	152	940	1,588	3,831	Ave 30%	388

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OPERATING AND FINANCIAL REVIEW

Net Prospective Resources (Carnarvon's Share)

Permit	Carnarvon Energy Equity	Prospect	Liquids (Oil and Condensate) MMBL				Natural Gas (BSCF)				Barrels of Oil Equivalent (BOE)				Probability of Geological Success (Pg)	Risked Mean (MMBOE)
			P90	P50	Pmean	P10	P90	P50	Pmean	P10	P90	P50	Pmean	P10		
WA-435-P	20%	Ara	0.7	9.3	19.7	52.2	5.0	67.2	118.6	306.2	1.6	22.2	40.5	104.2	37%	15.0
		Bandy	0.9	9.9	14.7	34.4	1.3	16.0	26.2	63.7	1.2	13.1	19.3	45.4	31%	6.0
		Wendolene	0.7	4.9	11.0	29.5	5.9	34.3	66.9	171.8	1.9	11.4	22.9	59.1	15%	3.4
		Wallace	0.1	1.0	1.7	4.3	2.4	23.7	36.8	89.2	0.5	5.3	8.2	19.8	39%	3.2
		Bara	0.3	2.8	6.9	17.7	2.5	19.8	42.0	109.2	0.8	6.5	14.3	37.1	13%	1.9
WA-436-P	30%	Starbuck	2.5	11.7	17.5	39.6	4.2	20.1	30.2	68.7	3.4	15.6	22.8	51.8	32%	7.3
		Flint	2.0	8.6	12.9	29.1	3.2	14.6	22.1	50.0	2.7	11.4	16.8	37.4	30%	5.0
		McKean	1.0	11.9	29.6	78.2	1.6	18.9	49.2	131.5	1.3	15.7	38.3	100.8	14%	5.4
		Yuma	0.6	9.2	20.8	52.9	4.5	65.6	127.0	320.1	1.5	21.5	43.1	109.2	14%	6.0
		Arthur	2.0	10.3	16.8	38.9	3.3	17.2	28.7	67.1	2.7	13.7	21.9	50.6	9%	2.0
WA-437-P	20%	Vela	0.8	8.7	18.9	48.5	0.5	5.6	12.1	31.3	0.9	9.9	21.0	53.8	17%	3.6
		Petrus	1.1	4.5	8.1	19.1	1.7	7.0	12.1	28.0	1.6	5.8	10.2	24.0	29%	3.0
		Taurus	0.7	3.6	5.4	12.4	1.2	6.0	9.1	21.3	1.0	4.8	7.0	16.0	20%	1.4
		Diplock	0.8	2.9	3.7	7.5	1.0	4.2	5.3	11.1	1.0	3.7	4.6	9.3	29%	1.3
		Lund	0.3	1.9	3.0	6.8	8.5	42.6	59.9	133.7	1.9	9.6	13.5	29.9	8%	1.1
WA-438-P	30%	Pavo South	1.8	12.2	19.9	48.5	0.2	1.7	2.9	7.1	1.9	12.5	20.4	49.8	64%	13.0
		Torin	2.0	11.7	17.4	40.2	0.5	3.0	4.5	10.6	2.0	12.2	18.2	42.2	54%	9.8
		Orona	7.4	24.5	31.6	64.8	12.1	41.3	54.3	112.1	10.2	32.7	41.1	82.4	10%	4.1
		Diachi	0.5	3.1	4.4	10.0	0.1	0.8	1.1	2.6	0.5	3.2	4.7	10.5	54%	2.5
		Tucana	0.4	3.3	5.5	13.0	0.7	5.5	9.3	22.0	0.5	4.4	7.1	17.0	23%	1.6
Totals			27	156	270	647	60	415	718	1,757	39	236	396	950	Ave 30%	97

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) 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.

OPERATING AND FINANCIAL REVIEW

Notes on Petroleum Resource Estimates and Competent Persons Statement

Unless otherwise stated, all petroleum resource estimates are quoted as at 30 June 2023 at standard oilfield conditions of 14.696 psi (101.325 kPa) and 60 degrees Fahrenheit (15.56 deg Celsius).

Carnarvon is not aware of any new information or data that materially affects the information included in the Reserves Statement. All the material assumptions and technical parameters underpinning the estimates in the Reserves Statement continue to apply and have not materially changed.

Carnarvon uses both deterministic and probabilistic methods for estimation of petroleum resources at the field and project levels. Unless otherwise stated, all petroleum estimates reported at the company level are aggregated by arithmetic summation by category.

Conversion from gas to barrels of oil equivalent is based on Gross Heating Value. The conversion is based on composition of gas in each reservoir and is 4.07 Bscf/MMboe, 3.85 Bscf/MMboe, 4.16 Bscf/MMboe, 4.45 Bscf/MMboe, and 3.87 Bscf/MMboe for the Upper Caley, Caley associated gas, Crespin, Baxter and Milne reservoirs, respectively, that make up the Dorado Contingent Resource. For all other gas resources the Company 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.

The estimates of petroleum resources are based on and fairly represent information and supporting documentation prepared by qualified petroleum reserves and resources evaluators. The estimates have been approved by the Company's Chief Operating Officer, Mr Philip Huizenga, who is a full-time employee of Carnarvon. Mr Huizenga has over 30 years' experience in petroleum exploration and engineering. Mr Huizenga holds a Bachelor Degree in Engineering and a Master's Degree in Petroleum Engineering and is a member of the Society of Petroleum Engineers. Mr Huizenga is a Competent Person in accordance with ASX Listing Rules and has consented to the form and context in which this statement appears.

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.

FINANCIAL REVIEW

The Group reports an after-tax loss of \$4,096,000 for the financial year ending 30 June 2023 (2022: \$53,753,000).

Carnarvon's balance sheet remains strong with cash and cash equivalents of \$95,301,000 (2022: \$112,424,000), with no debt and minimal commitments going forward.

During the year, the Company invested \$12,119,000 on exploration and evaluation assets. These costs were primarily related to the Dorado FEED activities, the Pavo-1 and Apus-1 exploration well costs and interpretation of the 3D seismic acquisition over the Dorado and surrounding exploration areas.

The Group recognised its 50% share of the loss of \$792,000 (2022: \$513,000) incurred by the FEA biofuels Joint Venture during the year as the Joint Venture continued Front-End Engineering and Design (FEED) works for its first biorefinery in Narrogin.

The Group's administrative and head office costs during the year were \$2,634,000 (2022: \$2,988,000). Employee benefits of \$3,356,000 (2022: \$2,597,000) were incurred during the year which includes the recognition of grants under the performance rights scheme. The increase in employee benefits year on year is due to a reduction of employee expenditure capitalised against the Company's exploration projects, with a greater emphasis on corporate activities during the period, such as the partial divestment of the Company's interest in the Bedout Sub-basin. Despite this, employee costs before exploration capitalisation reduced by 9% year on year as outlined in note 20.

OPERATING AND FINANCIAL REVIEW

The Group earned \$3,390,000 (2022: \$336,000) in interest income during the year by taking advantage of the higher interest rates received on call deposits and the Company's strong cash position.

There was also an unrealised gain on foreign exchange movements of \$1,521,000 (2022: \$3,800,000) due to the depreciation of the AUD against the Company's USD cash and financial assets.

The Group does not currently use derivative financial instruments to hedge financial risk exposures and therefore it is exposed to daily movements in the international oil prices, exchange rates, and interest rates. The Company manages its cash position in US Dollars and Australian Dollars to naturally hedge its foreign exchange rate exposures having regard to likely future expenditure.

RISK MANAGEMENT

Carnarvon recognises the importance of risk management in order to deliver the Company's strategies and to provide sustainable growth to shareholders. Carnarvon manages its risks in accordance with its risk management policy to ensure critical risks are identified, managed and monitored.

Carnarvon's risk management framework is overseen by the Risk, Governance and Sustainability Committee. Oversight of the effectiveness of the risk management process provides assurance to the Board and shareholders and supports the Company's commitment to continuous business improvement.

MATERIAL BUSINESS RISKS

Safety, Environment and Sustainability:

Health, Safety and Environment

Oil and gas exploration, development and production activities involve a variety of risks which may impact the health and safety of Carnarvon's people, communities, and the environment. These impacts could also damage Carnarvon's reputation or lead to fines and other penalties.

Carnarvon's projects are subject to various laws and regulations regarding the environment. Oil and gas exploration, development and production can be potentially environmentally hazardous giving rise to substantial costs for environmental clean-up and rehabilitation.

Carnarvon maintains high standards for health, safety, and environmental ("HSE") management. HSE risks are embedded in Carnarvon's operations and risk management framework and actively managed. Appropriate insurance is also maintained, and regularly reviewed to ensure adequate coverage.

Where Carnarvon does not directly manage exploration and development activities, Carnarvon ensures its partner acting as operator maintains equally high standards in respect of HSE management.

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OPERATING AND FINANCIAL REVIEW

Climate Change

Climate change and the management of carbon emissions may affect Carnarvon's operations, markets for oil and gas and the funding and insuring of projects. Potential risks arising from physical changes caused by climate change include increased severe weather events and rising sea levels which may impact Carnarvon's operations. There are also risks arising from policy changes by government which may result in increased regulation and costs which could have a material adverse impact on Carnarvon's operations.

Carnarvon recognises climate-related risks and the need for these to be managed effectively. As a result, the Company actively monitors current and potential areas of climate change risk.

Further information about Carnarvon's emissions management, and the potential impact of climate change on Carnarvon's business, can be found in the company's Sustainability Report for the financial year ending 30 June 2023.

In terms of future developments, like Dorado, Carnarvon is committed to working with its Joint Venture partners to reduce emissions from the project facilities, and will offset emissions in accordance with relevant regulatory requirements like the Safeguard Mechanism and environmental approvals.

Carnarvon is also seeking to diversify its portfolio by potentially developing lower carbon intensive assets which provide appropriate returns to shareholders. This includes Carnarvon's early stage biofuels business, as well as other 'new energy' opportunities.

Economic and Financial Risks:

Additional information on financial risks is contained in Note 25 to the Financial Statements.

Oil Price

The financial performance, future value and growth of Carnarvon is dependent upon the prevailing oil price. The price of oil is subject to fluctuations and is affected by numerous factors beyond the control of Carnarvon.

A sustained period of low or declining oil prices could adversely affect the carrying value of Carnarvon's assets and the commercial viability of future developments.

Carnarvon monitors and analyses oil markets and seeks to reduce the price risk where reasonable and practical. Carnarvon will develop a hedging strategy upon sanction of future projects. Due to the early stage of Carnarvon's projects, Carnarvon does not currently have any active hedges against the price of oil. Once Carnarvon's projects develop further, the Company may enter hedging contracts to mitigate against fluctuations in the price of oil.

Foreign Currency Exchange

Carnarvon's financial report is presented in Australian dollars; however, Carnarvon holds funds in both AUD and USD. The retention of US dollars influences Carnarvon's reported cash holdings due to AUD / USD exchange rates at the end of each relevant reporting period, which may result in foreign exchange gains or losses in a period. Carnarvon also incurs some costs in foreign currencies, typically US dollars, which means Carnarvon is subject to fluctuations in the rates of currency exchanges.

To mitigate against these foreign currency exchange fluctuations, Carnarvon holds a balance between USD and AUD as a natural hedge to committed future expenditures denominated in both USD and AUD. Once Carnarvon's projects develop further, the Company may enter into hedging contracts to mitigate against fluctuations in foreign currency exchanges.

Funding Risk

The nature of Carnarvon's business involves significant capital expenditure on exploration, appraisal, and potential development activities. Carnarvon's business and the development of projects which Carnarvon pursues relies on access to debt and equity funding.

Limitations on Carnarvon's ability to access funding could result in the postponement or reduction of capital expenditures, the relinquishment of rights in relation to assets, adversely affect Carnarvon's ability to take advantage of new opportunities and restrict the expansion of the business. These could result in a material adverse effect on Carnarvon's business, financial condition, and operations.

OPERATING AND FINANCIAL REVIEW

Carnarvon establishes funding plans for its material projects to ensure that the optimal funding is obtained to maximise shareholder value. This includes an economic and commercial analysis of projects and funding and ensuring that potential funding complies with Carnarvon's risk management framework.

Carnarvon also prepares short and long-term budgets and financial models which are monitored monthly in order to identify and manage any potential risks.

Operational Risks:

Exploration

Exploration is a speculative activity with an associated risk of discovery to find oil and gas in commercial quantities. The future profitability of Carnarvon directly relates to the results of exploration, development, and production activities. If Carnarvon is unsuccessful in locating and developing new resources that are commercially viable, this may have a material adverse effect on Carnarvon's future business, operations, and financial conditions.

Carnarvon utilises well-established prospect evaluation and experienced personnel to identify and evaluate prospects in order to manage exploration risks. Carnarvon also has a process to ensure major decisions are subject to assurance reviews which include external experts and contractors where appropriate.

Joint Venture Operations

Carnarvon participates in a number of joint ventures. This is a common commercial arrangement in the oil and gas industry to share the benefits, costs and risks associated with projects between participants. Subject to any sole risk rights which may exist in joint venture agreements, Carnarvon may require the agreement of other joint venturers to proceed with its activities, including a development project. Failure to agree on these matters may have a material adverse effect on Carnarvon's business.

To the extent that Carnarvon is not the operator of a joint venture, it is reliant on the efficient and effective management of its partner acting as operator.

The objectives and strategies of the operator may not always be consistent with the objectives and strategies of Carnarvon. However, operators must act in accordance with the directions of the operating committee, whose decisions are subject to the voting principles in the joint operating agreement ("JOA").

Carnarvon must also pay its percentage interest share of all costs and liabilities incurred by the joint venture as required under the relevant JOA. If Carnarvon fails to meet these obligations it may experience a dilution or loss (via a buy-out) of its interest in the joint venture or may not gain the benefit of joint venture activities, except at a significant cost penalty later in time.

Carnarvon manages joint venture risks through careful joint venture partner selection, stakeholder engagement and relationship management. Commercial and legal agreements, including industry standard JOAs, are in place across all joint ventures to define the responsibilities and obligations of the joint venture.

Resource Estimates

Oil and gas resource estimates are expressions of judgement based on knowledge, experience, and industry practice. Estimates which are valid when originally calculated may alter significantly or become uncertain when new information becomes available. Material changes to resource estimates may result in Carnarvon altering its plans which could have a positive or negative effect on its operations.

Carnarvon prepares its reserves and contingent resources estimates in accordance with the definitions and guidelines in the Society of Petroleum Engineers 2018 Petroleum Resources Management System. Carnarvon engages personnel with an appropriate level of skill and experience to prepare and review its resource estimates. The assessment of Reserves and Contingent Resources may also undergo independent audit and review.

Development

The development of Carnarvon's projects is subject to a range of risks and uncertainties. Oil and gas developments are exposed to the risk of low side reserve outcomes, cost overruns, timing delays, technical issues and potential production decreases. A poor development outcome could result in material adverse impacts to reserve and production forecasts, future revenues, and operating costs.

Carnarvon mitigates these risks through the careful selection of joint venture partners, ensuring the utilisation of high quality and experienced contractors throughout the development process, conducting assurance and other reviews during development, as well as comprehensively assessing all developments prior to making any commitment to participate.

OPERATING AND FINANCIAL REVIEW

Regulatory

Carnarvon operates in highly regulated industries and jurisdictions. Changes in regulations or enforcement actions could have material adverse impacts on Carnarvon. Changes in government, monetary, taxation, operational and other laws in the country(s) in which Carnarvon operates may also impact Carnarvon's operations.

Carnarvon holds interests in permits which are governed by the granting of contracts, licences, permits, or leases by the appropriate government authorities. Carnarvon may lose title to or its interest in a permit if licence conditions are not met, or insufficient funds are available to meet expenditure commitments.

Carnarvon monitors changes in relevant regulations and engages with regulators and industry bodies to ensure the impact of policy changes are understood, and the Company continues to comply with all regulatory requirements.

Foreign Operations

Some countries which Carnarvon may undertake business in are developing countries that have political and regulatory structures that are maturing and have potential for future change. There is the risk that certain events could have a material impact on the investment and security environment within those countries which could impact the assets held by Carnarvon.

Carnarvon closely monitors political developments and events in the countries in which it transacts. Carnarvon engages with stakeholders in those countries and maintains local offices which are staffed by in-country personnel who can liaise directly with regulators and provide appropriate local expertise.

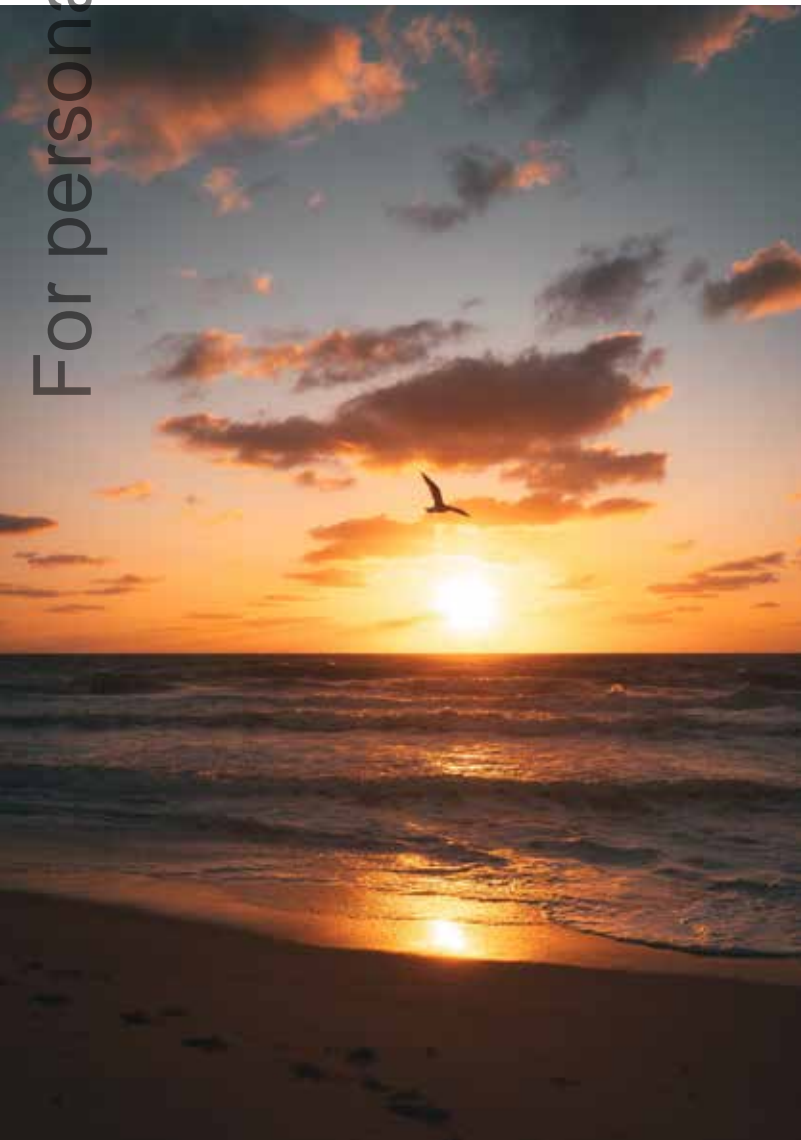
Key Personnel

Skilled employees and consultants are essential to the successful delivery of Carnarvon's business strategy. Carnarvon relies on the services of certain key personnel, including Executive Management, other key employees, and consultants. The loss of any of these key personnel could have a material adverse effect on Carnarvon's business.

Carnarvon ensures it maintains competitive remuneration practices relative to its industry, including short and long incentive schemes, to ensure it maintains the services of key personnel and has the ability to attract additional staff, as required.

Carnarvon maintains clear and regular updates on strategy and business planning to provide clarity on the company's future plans. Guidance and opportunities are provided for staff to further their careers, and staff training and development seeks to ensure individual development goals align with Carnarvon's strategy. Succession planning for key personnel and other key employees is also undertaken on a periodic basis.

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OPERATING AND FINANCIAL REVIEW

Permit Interests (before divestment)

Permit	Basin	Equity	Joint Venture Partner(s)	Partner Interest	Indicative Forward Program
Australia					
AC-P62	Bonaparte	100%	-	-	Relinquishment
AC-P63	Bonaparte	100%	-	-	Relinquishment
EP509	Carnarvon	100%	-	-	G & G studies
TP29	Carnarvon	100%	-	-	G & G studies
WA-521-P	Roebuck	0%	-	-	Relinquished
WA-523-P	Bonaparte	0%	-	-	Relinquished
WA-435-P	Roebuck	20%	Santos Limited ⁱ	80%	G & G studies
WA-436-P	Roebuck	30%	Santos Limited ⁱ	70%	G & G studies
WA-437-P	Roebuck	20%	Santos Limited ⁱ	80%	G & G studies
WA-438-P	Roebuck	30%	Santos Limited ⁱ	70%	G & G studies, appraisal
WA-64-L	Roebuck	20%	Santos Limited ⁱ	80%	Development and production
WA-155-P	Carnarvon	100%	-	-	Divestment
Timor-Leste					
TL-SO-T 19-14 PSC	Bonaparte	0%	-	-	Relinquished

Note:

(i) Denotes operator where Carnarvon is non-operator partner.

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DIRECTORS' REPORT

Statutory Information

The directors present their report together with the financial report of the Group, being the Company, its controlled entities, and the Group's interest in jointly controlled assets, for the financial year ended 30 June 2023, and the auditor's report thereon.

Carnarvon Energy Limited is a listed public company incorporated and domiciled in Australia.

Directors

The names and details of the Company's directors in office at any time during or since the end of the financial year are as follows. Directors were in office for this entire period unless otherwise stated.



William (Bill) A Foster

Chair

BE (Chemical)

Appointed as a director on 17 August 2010 and appointed as Chair on 11 November 2020.

Mr Foster is an internationally experienced energy executive who has worked with Chevron, a Middle Eastern National Oil Corporation as well as US and ASX listed independents. He spent 30 years with Marubeni Corporation as Energy Advisor until his retirement, assisting in the development of their Oil, Gas and LNG business. During this time, a global business was established with Tokyo, London, Houston, Singapore and Perth offices. Mr Foster was a director of Marubeni's various exploration and production subsidiaries and a former director of Tap Oil Ltd.

Mr Foster's activities have covered a broad range of areas relevant to the oil and gas industry and he has extensive, commercial, financial and mergers and acquisitions experience, as well as that from his engineering background.

During the past three years Mr Foster has not served as a director of any other listed company.



Adrian C Cook

Chief Executive Officer and Managing Director

B Bus, CA, MAppFin, FAICD

Appointed as a director on 1 July 2011

Mr Cook has over 30 years' experience in commercial and financial management, primarily in the energy industry. Immediately prior to joining Carnarvon, he was the Managing Director of Buru Energy Limited, an ASX listed oil and gas exploration and production company with interests in the Canning Basin in Western Australia. Mr Cook has also held senior executive positions within Clough Limited's oil and gas construction business and was on the executive committee at ARC Energy Limited, an ASX listed mid cap oil and gas exploration and production company. Mr. Cook is a fellow of the Australian Institute of Company Directors.

During the past three years Mr Cook has not served as a director of any other listed company. Mr Cook joined Carnarvon on 2 November 2009 and was appointed to the Board on 1 July 2011.

DIRECTORS' REPORT



Peter Moore

Non-Executive Director

B.Sc (Hons Geology), MBA, PhD, GAICD.

Appointed as a director on 18 June 2015.

Dr Moore has extensive experience in exploration and production in Australia and internationally gained through senior roles with a number of globally recognised companies. Dr Moore led Woodside's worldwide exploration efforts as the Executive Vice President Exploration reporting to the CEO and was the Head of the Geoscience function (Exploration, Development, Production, M&A).

During the past three years Dr Moore served as a non-executive Director of Beach Energy Limited (since 2017).

Dr Moore is Chair of the Risk, Governance and Sustainability Committee and a member of the Audit Committee and the Remuneration and Nomination Committee.



Gavin Ryan

Non-Executive Director

LLB (Hons)

Appointed as a director on 30 July 2018.

Mr Ryan is a lawyer with over thirty years' experience, gained mostly in the oil & gas sector. He has also held commercial, external affairs and government relations roles in his extensive industry career.

He has worked on projects in some thirty countries, primarily as in-house counsel for companies including BP, BHP Petroleum and Shell. His time at Shell included being head of Shell Australia's upstream legal team, and five years as Associate General Counsel, Global Businesses in The Hague where he led the legal team advising Shell's global LNG trading business. His most recent in-house role was as General Counsel for PTTEP Australasia, a subsidiary of the Thai national energy company with substantial operated interests in Australia.

Mr Ryan has previously managed his own legal and consultancy practice advising clients in the petroleum, resources, power, engineering and logistics sectors, and is currently Senior Commercial Counsel at Hancock Prospecting Group.

He holds a number of directorships of unlisted and not-for-profit corporations.

He is Chair of the Remuneration & Nominations Committee.

DIRECTORS' REPORT



Debra Bakker

Non-Executive Director

MAppFin., BBus (FinAcc), Grad Dip FINSIA, GAICD

Appointed as director on 5 October 2020

Ms Bakker is an experienced financier and deal maker with more than 27 years' experience in the resources industry with significant international experience.

Ms Bakker has previously held senior positions with Commonwealth Bank of Australia, Standard Bank London Group and Barclays Capital. Ms Bakker is also an experienced non-executive director having held a number of positions with ASX resource companies.

During the past three years, Ms Bakker has served as a non-executive director for IGO Limited (since 2016) and non-executive chair of Ten Sixty Four Limited (since 2023).

Ms Bakker is Chair of the Audit Committee and a member of the Remuneration and Nomination Committee and the Risk, Governance and Sustainability Committee.



Mr Alex Doering



Mr Gavan Sproule

Company Secretary

Mr Alex Doering was appointed as joint company secretary in August 2019. Mr Doering is a qualified Chartered Accountant, an Associate of the Governance Institute of Australia and the Chief Financial Officer (appointed June 2023) at Carnarvon Energy.

Mr Gavan Sproule was appointed as joint company secretary in March 2022. Mr Sproule is a Fellow of the Governance Institute of Australia and General Counsel at Carnarvon Energy.

DIRECTORS' REPORT

Directors' meetings

The number of directors' meetings held and attended by each of the directors during the reporting period was as follows:

	(a)	(b)
WA Foster	8	8
AC Cook	8	8
P Moore	8	8
SG Ryan	8	8
D Bakker	8	8

(a) Number of meetings held and eligible to attend during period of office

(b) Number of meetings attended

Audit Committee

Names and qualifications of Audit and Risk Committee members

The Committee is to include at least 3 members. Current members of the committee are Ms Bakker (Chair of the Committee) Dr Moore and Mr Ryan. Qualifications of Audit and Risk Committee members are provided in the Directors section of this directors' report.

Audit Committee meetings

The number of Audit and Risk Committee meetings held and attended by the members during the reporting period was as follows:

	(a)	(b)
D Bakker	2	2
P Moore	2	2
SG Ryan	2	2

(a) Number of meetings held during period of office

(b) Number of meetings attended

Risk, Governance and Sustainability Committee

Names and qualifications of Risk, Governance and Sustainability ("RGS") Committee members

The RGS Committee is to include at least 3 members. Current members of the committee are Dr Moore (Chair of the Committee), Mr Ryan and Ms Bakker. Qualifications of RGS Committee members are provided in the Directors section of this directors' report.

RGS Committee meetings

The number of RGS Committee meetings held and attended by the members during the reporting period was as follows:

	(a)	(b)
P Moore	2	2
D Bakker	2	2
SG Ryan	2	2

(a) Number of meetings held during period of office

(b) Number of meetings attended

DIRECTORS' REPORT

2023 REMUNERATION IN BRIEF FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 ("FY23")

FY23 remuneration outcomes at a glance

KMP Fixed Remuneration	Benchmark increases for senior executives	Total fixed remuneration (TFR) increased from the previous year according to industry benchmarks.
Short Term Incentive (STI)	No STI awarded to KMP during the year.	There was no STI awarded to KMP during the year based on the Board's discretion as a result of the Company's share price performance during the period.
Long Term Incentive (LTI)	No performance rights vested during the year.	No performance rights vested during the year. KMP (other than the CEO) were granted 2,509,634 LTI performance rights on 1 July 2022 and 2,893,092 LTI performance rights were granted to the CEO on 18 November 2022 following approval at the AGM. 3,146,930 LTI performance rights were granted and issued to KMP (other than the CEO) subsequent to the year end and 4,556,620 LTI performance rights were awarded to the CEO subsequent to the year-end which are subject to shareholder approval at the AGM to be held on 17 November 2023. These LTI performance rights are subject to the achievement of absolute and relative (to peer group) share price performance conditions in three years' time before they vest.
Non-executive directors	Fee changed during the year.	Base fees payable to non-executive directors remain unchanged from FY22 levels. Chair fees increased to \$200,000 per annum and committee Chair fees were increased to \$10,000 per annum to reflect industry benchmarks. Non-executive directors did not receive any other form of remuneration or incentives.

The statutory disclosures required by the Corporations Act are set out in the remuneration report on pages 30 to 42. These disclosures, particularly the inclusion of accounting values for LTI performance rights awarded but not vested, can vary significantly from the cash value of remuneration realised by senior executives. This is because the Accounting Standards require a value to be placed on a right at the time it is granted to a senior executive and then reported as remuneration even if ultimately the senior executive does not receive any actual value, for example because performance conditions are not met and the rights do not vest.

The following is an unaudited and non-IFRS summary of the cash value of remuneration realised by executive KMP for FY23, which the company believes is useful to shareholders. The amounts include cash salary and superannuation. No share-based payments vested to KMP during the year and therefore no value is included in the table below.

Table 1: Cash value of remuneration realised for executive KMP (unaudited):

Name	2023			2022		
	Salary \$	Super \$	Total cash \$	Salary \$	Super \$	Total cash \$
A Cook <i>Managing Director and Chief Executive Officer</i>	610,028	28,946	638,974	591,791	16,843	608,634
P Huizenga <i>Chief Operating Officer</i>	544,465	28,148	572,613	533,136	23,030	556,166
T Naude ¹ <i>Chief Financial Officer</i>	352,420	25,087	377,507	334,164	26,447	360,611
A Doering ² <i>Chief Financial Officer</i>	25,000	2,625	27,625	-	-	-
Total	1,531,913	84,806	1,616,719	1,459,091	66,320	1,525,411

¹ Current year amounts for Mr TO Naude reflect the remuneration received up to the date of his resignation as Chief Financial Officer on 31 May 2023.

² Amounts for Mr A Doering reflect the remuneration received from the date of his appointment as Chief Financial Officer on 1 June 2023.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

This report has been prepared in accordance with section 300A of the Corporations Act 2001 (Cth) (Corporations Act) for the consolidated entity for the financial year ended 30 June 2023. It has been audited as required by section 308(3C) of the Corporations Act and forms part of the Directors' Report. At the Company's 2022 Annual General Meeting, the 2022 Remuneration Report was approved by the shareholders, with less than 25% of the votes cast going against its adoption.

KEY MANAGEMENT PERSONNEL ("KMP")

The Company's KMP are listed in Table 2. They are the Company's non-executive directors (NED) and executive KMP who have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

Table 2: Key management personnel during FY23

Name	Position	Period as KMP during the year
Executive KMP		
A Cook	Managing Director & Chief Executive Officer (CEO)	All of FY23
P Huizenga	Chief Operating Officer	All of FY23
T Naude	Chief Financial Officer	Resigned 31 May 2023
A Doering	Chief Financial Officer	Appointed 1 June 2023
Non-executive Directors		
W Foster	Independent Chair	All of FY23
P Moore	Non-executive Director	All of FY23
G Ryan	Non-executive Director	All of FY23
D Bakker	Non-executive Director	All of FY23

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DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Summary of Carnarvon's remuneration policy framework

Carnarvon's vision is to become a major Australian energy provider with expertise and capability that enables the generation of material returns for shareholders over any given medium-term time horizon and outperformance against the Company's peers.

Carnarvon's remuneration framework seeks to focus executives on delivering that purpose:

- Fixed remuneration aligns to market practice and prevailing economic conditions. It seeks to attract, motivate and retain executives focused on delivering Carnarvon's purpose.
- 'At risk' performance-based incentives link to shorter-term and longer-term Company goals. The goals contribute to the achievement of Carnarvon's purpose.
- Longer term 'at risk' incentives are also designed to directly align with shareholder objectives and interests. Half of longer-term incentives are based on the Company's share price performance against peers considered to be alternative investments to Carnarvon. The other half is based on the Company's absolute share price appreciation. Both measures are assessed over a three-year period and are entirely share based rewards to executives.

How Carnarvon makes decisions about remuneration

The Board determines Carnarvon's KMP remuneration based on recommendations made to the Board by its Remuneration and Nominations Committee. The Committee is to include at least 3 members who are all non-executive directors.

Members of the Committee during the 30 June 2023 financial year were Mr Ryan (Chair of Remuneration and Nomination Committee), Dr Moore and Ms Bakker. Qualifications of Remuneration & Nomination Committee members are provided in the Directors section of this directors' report.

The Remuneration and Nomination Committee Charter is available at Carnarvon's website: www.carnarvon.com.au/corporate-governance/. Carnarvon's Managing Director & CEO may attend Committee meetings by invitation in an advisory capacity. Other executives may also attend by invitation. The Committee excludes executives from any discussion about their own remuneration.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration & Nomination Committee meetings

The number of Remuneration & Nominations Committee meetings and the number attended by each of the members during the reporting period were as follows:

	(a)	(b)
SG Ryan	2	2
PS Moore	2	2
D Bakker	2	2

a) Number of meetings held during period of office.

b) Number of meetings attended.

External advisers and remuneration advice

Where an adviser is engaged by the company in relation to remuneration matters, the adviser is engaged by and reports to the Board or chair of the Remuneration and Nominations Committee. This protocol ensures any recommendations are free from undue influence by management. The Board or Committee Chair deals with the adviser on all material matters. Management involvement is only to the extent necessary to coordinate the work. No external advisers were engaged during FY23.

The Board and Committee seek recommendations from the Managing Director & CEO about executive remuneration. The Managing Director & CEO does not make any recommendation about his own remuneration.

The Board and Committee have regard to industry benchmarking information.

How Carnarvon links performance to incentives

Carnarvon's remuneration policy includes short term (STI) and long-term (LTI) incentive plans. The plans seek to align management performance with shareholder interests.

The STI is an operationally focused target incentive plan which is only considered if key KPIs are met during the period. STI can be awarded in cash and / or performance rights with a vesting period of 12 months, with the allocation based on the Board's discretion.

The LTI links to an increase in total shareholder return over an extended period and is a share-based incentive through the Company's performance rights plan.

SENIOR EXECUTIVE REMUNERATION STRUCTURE

This section details the remuneration structure for senior executives (Key Management Personnel, or KMP).

Service contracts

The contract duration, period of notice and termination conditions for key management personnel are as follows:

- (i) Adrian Cook, Chief Executive Officer, is engaged as a full time employee. Termination by the Company is with 12 months notice or payment in lieu thereof. Termination by Mr Cook is with 6 months' notice.
- (ii) Philip Huizenga, Chief Operating Officer, is engaged as a full time employee. Termination by the Company is with 3 months notice or payment in lieu thereof and an additional payment of 3 months' remuneration. Termination by Mr Huizenga is with 3 months' notice.
- (iii) Thomson Naude, Chief Financial Officer (resigned 31 May 2023), is engaged as a full time employee. Termination by the Company is with 3 months notice or payment in lieu thereof and an additional payment of 3 months' remuneration. Termination by Mr Naude is with 3 months' notice.
- (iv) Alex Doering, Chief Financial Officer (appointed 1 June 2023), is engaged as a full time employee. Termination by the Company is with 3 months notice or payment in lieu thereof and an additional payment of 3 months' remuneration. Termination by Mr Doering is with 3 months' notice.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration mix

Remuneration for KMP is a mix of a fixed cash salary component and an 'at risk' component. The 'at risk' component means that specific targets or conditions must be met before there is any entitlement to receive that component.

What is the balance between fixed and 'at risk' remuneration?

The remuneration structure and packages offered to KMP for the period were:

- Fixed remuneration; and
- 'At risk' remuneration comprising:
 - Short term incentive (STI) – annual cash and / or performance rights with a 12-month vesting period, which may be offered at the discretion of the Board, linked to Company and individual performance over a year.
 - Long term incentive (LTI) – performance rights-based incentive, which may be granted annually at the discretion of the Board, linked to the absolute and relative share price performance conditions measured over three years.

The balance between fixed and 'at risk' remuneration depends on the senior executive's role. The CEO has the highest level of 'at risk' remuneration reflecting the greater level of responsibility of this role.

Table 3: Shareholder wealth indicators FY19 – FY23:

	FY19	FY20	FY21	FY22	FY23
Share price at year-end	\$0.60	\$0.195	\$0.25	\$0.195	\$0.13
Basic earnings/(loss) per share	\$(0.64)	\$(0.26)	\$1.09	\$(3.31)	\$(0.23)

Table 4 sets out the relative proportions of the three elements of the executives KMP's total remuneration packages from 1 July 2022.

Table 4: Remuneration mix¹

Position	Performance Based Remuneration			Total 'at risk'
	Fixed Remuneration	STI	LTI	
	%	%	%	%
CEO	34	33	33	66
Other KMP	50	25	25	50

¹ The remuneration mix assumes maximum 'at risk' awards. Percentages shown later in this report reflect the actual incentives paid as a percentage of total fixed remuneration, movements in leave balances and other benefits and share based payments calculated using the relevant accounting standards.

Fixed remuneration

What is fixed remuneration?

Senior executives are entitled to a fixed cash remuneration amount inclusive of the guaranteed superannuation contribution. The amount is not based upon performance. Senior executives may decide to salary sacrifice part of their fixed remuneration for additional superannuation contributions and other benefits.

How is fixed remuneration reviewed?

Fixed remuneration is determined by the Board based on external review and advice that takes account of the role and responsibility of each senior executive. It is reviewed annually against industry benchmarking information.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Fixed remuneration for the year

Total fixed remuneration (TFR) of KMP is provided in Table 1 on Page 39. Page 39 reports on the remuneration for KMP as required under the Corporations Act.

Short Term Incentive (STI)

What is the STI?	The STI is part of 'at risk' remuneration offered to senior executives. It measures individual and Company performance over a 12-month period. The period coincides with Carnarvon's financial year. The STI is offered to senior executives at the discretion of the Board based on company performance and performance against objectives. It is paid in cash and / or performance rights, with the allocation percentage at the Board's discretion. If awarded and subsequently vested, the Board has the discretion to approve the settlement of the STI performance rights in cash or equity.
How does the STI link	The STI is an at-risk opportunity for senior executives and is subject to the achievement of the performance threshold (see below), it rewards senior executives for meeting or exceeding key performance indicators. The key performance indicators link to Carnarvon's key purpose and goals set for KMP during the reporting period. The STI aims to motivate senior executives to meet Company expectations for success. Carnarvon can only achieve its purpose if it attracts and retains high performing senior executives.
What are the performance conditions or KPIs?	Carnarvon's key performance indicators (KPIs) are set by the Board for each 12-month period beginning at the start of a financial year. They reflect Carnarvon's financial and operational goals that are essential to it achieving its purpose. Senior executives may also have individual KPIs which are linked to the below Company KPIs to reflect their particular responsibilities to each KPI. The KPIs are chosen as they are value catalysts which are linked to the Company's strategic objectives. For the reporting period, the performance measures comprised:

STI Measures	Weighting 100%	
Company KPI's	Achieve¹	Overperform²
Bedout Divestment	30%	60%
Dorado Approvals	10%	30%
Dorado FID	10%	30%
New Ventures	20%	50%
Energy Transition	10%	40%
Maximum		100%

¹ The minimum percentage receivable if the hurdle is achieved.

² The maximum percentage receivable if achievement of the hurdle is overperformed.

Refer to Table 5 for more information.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

The value of the STI awards to individual KMPs

Incentive payments are based on a percentage of a senior executive's fixed remuneration. The CEO can earn up to a maximum of 100% of his fixed remuneration. The value of the award that can be earned by other KMP is up to a maximum of 50% of their fixed remuneration.

Assessment of performance conditions

The Board assesses the extent to which KPIs were met for the period after the close of the relevant financial year. The Board assesses the achievement of the KPIs for the CEO. The Board assesses the performance of other KMPs on the CEO's recommendation.

What happens if an STI is awarded

On achievement of the relevant KPIs Carnarvon will pay STI awards in cash and / or performance rights with a vesting period of 12 months provided the participants are employed by the company over the vesting period and as at the vesting date. The allocation of the award between cash and performance rights is at the Board's discretion. Carnarvon includes the cash and nominal value of any performance rights STI awards in its financial statements for the relevant financial year.

STI PERFORMANCE FOR THE YEAR

At the completion of the financial year, the Board tested each senior executive's performance against the STI performance conditions set for the year. Despite the achievement of KPIs during the period, the Board exercised its discretion and did not award an STI during the period based on the performance of the Company's share price.

On this basis, the percentage of the maximum STI that will be awarded or forfeited for the period for each executive KMP, was as follows (awarded/ forfeited):

KMP	STI Awarded	STI Forfeited
Adrian Cook	-	100%
Mr Huizenga	-	100%
Mr Naude	-	100%

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Despite there being no award during the year, the outcomes of the Company related performance conditions are outlined in Table 5.

The Company no longer utilises a share price performance gate, in relation to the ASX Energy Index, for STI awards. It was determined that a share price gate for STI awards was not consistent with the Company's peer group and the wider industry. Despite this, the Board retains ultimate discretion over STI awards as was exercised in the current financial year.

Table 5: Outcome of FY23 STI Company KPIs:

STI Measure	Description	STIP weight (%):		STI Performance and score
		Achieve ¹	Overperform ²	
Bedout Divestment	Complete partial Divestment of Bedout interests by 30 June 2023.	30%	60%	Score: KPI not achieved by 30 June 2023.
Dorado Approvals	Receive Offshore Project Proposal approval from NOPSEMA for the Dorado development by 30 June 2023.	10%	30%	Score: KPI achieved. Approval announced on 14 February 2023.
Dorado FID	Final Investment Decision for Dorado Phase-1 liquids development taken by 30 June 2023.	10%	30%	Score: KPI not achieved.
New Ventures	New Venture hydrocarbon acquisition announced by 30 June 2023.	20%	50%	Score: KPI not achieved.
Energy Transition	Energy transition, ESG or carbon-based transaction completed by 30 June 2023.	10%	40%	Score: KPI not achieved.

¹ The minimum percentage receivable if the hurdle is achieved.

² The maximum percentage receivable if achievement of the hurdle is overperformed.

STI performance rights issued

There were no STI awarded during the year in relation to FY23 performance.

LONG TERM INCENTIVE (LTI)

What is the LTI?	<p>The LTI is an equity based 'at risk' incentive plan which operates through a performance rights scheme approved by Carnarvon shareholders. The LTI aims to reward results that promote long term growth in shareholder value or total shareholder return (TSR).</p> <p>Carnarvon offers LTIs to senior executives at the discretion of the Board and offers to KMP as outlined in table 4.</p>
How does the LTI link to Carnarvon's key purpose?	<p>The LTI links to Carnarvon's key purpose by aligning the longer term 'at risk' incentive rewards with outcomes that match shareholder objectives and interests by:</p> <ul style="list-style-type: none"> • benchmarking shareholder returns against a group of companies considered alternative investments to Carnarvon and against absolute target returns • giving share based rather than cash-based rewards to executives. This links their own rewards to shareholder expectations of company performance, especially share price growth.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

How are the number of rights issued to senior executives calculated?	The award of performance rights is at the absolute discretion of the Board. The number of performance rights granted to the executives under the LTI is calculated as fixed remuneration at 30 June of the Financial Year multiplied by the relevant percentage divided by the market value. The Market Value is the market value of a fully paid ordinary share in the Company, calculated using the Company's closing share price on 30 June.																
What equity based grants are given and are there plan limits?	Carnarvon grants performance rights using the formula set out above. If the performance conditions are met, senior executives have the opportunity to acquire one Carnarvon share for every vested performance right. There are no plan limits as a whole for the LTI due to the style of the plan.																
What are the performance conditions?	<p>The two performance conditions used by Carnarvon are based on Total Shareholder Return (TSR) (1) in absolute terms and (2) relative to the returns of a group of companies considered alternative investments to Carnarvon, calculated using the closing share prices at a testing date of 30 June.</p> <p>The participants must also be employed by the Company over the vesting period and as at the vesting date.</p> <p>The vesting schedule of 50% of the performance rights is subject to relative TSR testing is as follows:</p> <table border="1"> <thead> <tr> <th>Relative TSR Performance</th> <th>Level of vesting</th> </tr> </thead> <tbody> <tr> <td>Less than 50th percentile</td> <td>Zero</td> </tr> <tr> <td>Between 50th and 75th percentile</td> <td>Pro rata between 50% and 100%</td> </tr> <tr> <td>75th percentile or better</td> <td>100%</td> </tr> </tbody> </table> <p>Peer Group: 88 Energy, Buru Energy, Central Petroleum, Cooper Energy, Elixir Energy, Empire Energy, Galilee Energy, Helios Energy, Horizon Oil, Karoon Energy, Strike Energy, Tamboran Resources.</p> <p>The vesting schedule of 50% of the performance rights is subject to absolute TSR testing is as follows:</p> <table border="1"> <thead> <tr> <th>Absolute TSR Performance</th> <th>% of performance rights that will vest</th> </tr> </thead> <tbody> <tr> <td>10% per annum return</td> <td>33%</td> </tr> <tr> <td>Between 10% and 20% per annum</td> <td>Pro rata between 33% and 100%</td> </tr> <tr> <td>Above 20% per annum</td> <td>100%</td> </tr> </tbody> </table>	Relative TSR Performance	Level of vesting	Less than 50 th percentile	Zero	Between 50 th and 75 th percentile	Pro rata between 50% and 100%	75 th percentile or better	100%	Absolute TSR Performance	% of performance rights that will vest	10% per annum return	33%	Between 10% and 20% per annum	Pro rata between 33% and 100%	Above 20% per annum	100%
Relative TSR Performance	Level of vesting																
Less than 50 th percentile	Zero																
Between 50 th and 75 th percentile	Pro rata between 50% and 100%																
75 th percentile or better	100%																
Absolute TSR Performance	% of performance rights that will vest																
10% per annum return	33%																
Between 10% and 20% per annum	Pro rata between 33% and 100%																
Above 20% per annum	100%																
Why choose these Performance conditions?	<p>Relative TSR is an appropriate performance hurdle because it ensures a proportion of each participants remuneration is linked to the return received by shareholders from holding shares in a company in the peer group for the same period.</p> <p>Absolute TSR is an appropriate performance hurdle because it ensures KMP performance is rewarded when a year-on-year improvement in shareholder value is achieved.</p>																
What happens to LTI performance rights on a change of control?	The Board reserves the discretion for early vesting in the event of a change of control of the Company. Adjustments to a participant's entitlements may also occur in the event of a company reconstruction and certain share issues.																

LTI equity awards issued or in operation during the year.

KMP (other than the CEO) were granted 2,509,634 LTI performance rights on 1 July 2022 and 2,893,092 LTI performance rights were granted to the CEO following approval at the AGM on 18 November 2022 on the basis outlined in the tables above. KMP (other than the CEO) were also awarded 3,146,930 LTI performance rights on 1 July 2023 on the basis outlined in the tables above. The CEO was awarded 4,556,620 LTI performance rights on 1 July 2023, which are subject to shareholder approval at the AGM to be held on 17 November 2023.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS:

The fees paid to non-executive directors are determined using the following principles. Fees are:

- not incentive or performance based, but are fixed amounts;
- determined by reference to the nature of the role, responsibility and time commitment required for the performance of the role including membership of Board Committees;
- are benchmarked against industry peers on an annual basis; and
- driven by a need to attract and retain a diverse and well-balanced group of individuals with relevant experience and knowledge

Following an independent benchmarking analysis against Carnarvon's peers, the Board made changes to its fee structure in the current year. The benchmarking analysis was conducted by comparing Carnarvon non-executive director fees to those of a peer group comprising ASX-listed companies of similar size in both the resources and oil and gas sectors. Following the review, the Chair's fee was raised to \$200,000 per annum and the base director fee remained \$100,000 per annum to ensure Carnarvon will be able to attract and retain quality candidates.

Committee Chairs are paid an additional fee of \$10,000, an increase from \$5,000 in the previous period, to reflect the workload required of them in fulfilling those roles. No additional fees are payable to any director for membership of Board Committees.

The Director's fees are inclusive of superannuation contributions, which are paid by the Company.

Non-executive directors are entitled to be reimbursed at cost for their reasonable expenses incurred in the performance of their directors' duties.

At \$530,000, the aggregate remuneration of Carnarvon non-executive directors remains below the annual limit of \$600,000 approved by shareholders at the 2018 Annual General Meeting.

Details of the fees payable to non-executive directors for Board and committee membership for FY23 are set out in Table 6.

Table 6: FY23 non-executive directors' fees and Board Committee fees per annum:

Board		Board Committees					
Chair	Member	Chair	Member	Chair	Member	Chair	Member
\$	\$	Audit	Audit	Remuneration and Nomination	Remuneration and Nomination	RGS	RGS
\$	\$	\$	\$	\$	\$	\$	\$
200,000	100,000	10,000	-	10,000	-	10,000	-

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION, COMPANY AND CONSOLIDATED (CONTINUED)

Name	Short term benefits		Post-employment	Share-based payments	Long term benefits		Total (\$)	Total at risk %	Total issued in equity %
	Salary and fees (\$)	Short term cash bonus (\$)	Superannuation contributions (\$)	Performance Rights (\$) ⁴	Annual Leave (\$) ³	Long service leave (\$) ³			
Directors									
<i>Non-Executive</i>									
Mr WA Foster (Chair)									
2023	171,946	-	18,054	-	-	-	190,000	-	-
2022	150,000	-	-	-	-	-	150,000	-	-
Mr SG Ryan									
2023	110,000	-	-	-	-	-	110,000	-	-
2022	105,000	-	-	-	-	-	105,000	-	-
Mrs D Bakker									
2023	\$99,548	-	10,452	-	-	-	110,000	-	-
2022	105,000	-	-	-	-	-	105,000	-	-
Dr P Moore									
2023	99,548	-	10,452	-	-	-	110,000	-	-
2022	105,000	-	-	-	-	-	105,000	-	-
<i>Executive</i>									
Mr AC Cook (Chief Executive Officer)									
2023	610,028	-	28,946	265,992	45,654	40,921	991,541	26.8%	-
2022	591,791	-	16,843	523,134	42,616	(10,766)	1,163,618	45.0%	-
Other Executives									
Mr PP Huizenga (Chief Operating Officer)									
2023	544,465	-	28,148	114,883	49,924	23,293	760,713	15.1%	-
2022	533,136	-	23,030	190,207	38,804	2,594	787,771	24.1%	-
Mr TO Naude (Chief Financial Officer)¹									
2023	352,420	-	25,087	(36,104)	27,020	25,181	393,604	(9.2%)	-
2022	334,164	-	26,447	111,239	23,480	4,416	499,746	22.3%	-
Mr A Doering (Chief Financial Officer)²									
2023	25,000	-	2,625	-	1,927	-	29,552	-	-
2022	-	-	-	-	-	-	-	-	-
Total compensation: KMP									
2023	2,012,955	-	123,764	344,771	124,525	89,395	2,695,410	12.8%	-
2022	1,924,091	-	66,320	824,580	104,900	(3,756)	2,916,135	28.3%	-

Directors' fees are paid or payable to the director or a director-related entity.

¹ Amounts for Mr TO Naude reflect the remuneration received up to the date of his resignation as Chief Financial Officer on 31 May 2023.

² Amounts for Mr A Doering reflect the remuneration received from the date of his appointment as Chief Financial Officer on 1 June 2023.

³ These amounts represent the leave entitlement accrual for the year. The annual leave benefits have been included as long-term benefits as they are expected to be utilised over a period greater than 12 months.

⁴ KMP were granted 3,766,284 LTI performance rights during the year ending 30 June 2022 and 5,155,802 LTI performance rights in the current year for which a combined expense of \$380,875 was recognised at 30 June 2023. These figures do not include performance rights granted to Mr A Doering prior to him commencing as a KMP on 1 June 2023.

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DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Ordinary shares held by key management personnel

The movement during the reporting period in the number of ordinary shares in Carnarvon Energy Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2023	Held at 1 July 2022	Net acquired/ (sold) on market	Award under Employee Share Plan	Received on exercise of options	Held at 30 June 2023
Directors					
WA Foster	1,425,938	-	-	-	1,425,938
AC Cook	15,938,797	-	-	-	15,938,797
P Moore	964,232	-	-	-	964,232
SG Ryan	305,221	-	-	-	305,221
D Bakker	574,774	-	-	-	574,774
Other Executives					
PP Huizenga	12,076,196	250,000	-	-	12,326,196
TO Naude	4,019,357	-	-	-	4,019,357 ¹
A Doering ²	1,237,001	-	-	-	1,237,001

¹ This balance reflects the shares held by Mr TO Naude on the date that he resigned as Chief Financial Officer on 31 May 2023.

² Mr A Doering was appointed as Chief Financial Officer on 1 June 2023. His balance at 1 July 2022 is representative of the number shares he held as an employee (before becoming a KMP).

Plan shares held by key management personnel

Included in the above table are plan shares held by key management personnel held under the previous ESP loan scheme which are accounted for as in substance options (refer to page 65 for further terms). The balance and movement during the reporting period in the number of plan shares directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2023	Held at 1 July 2022	Granted as compensation	Employee Share Plan cancellations	Exercised	Held at 30 June 2023
Directors					
WA Foster	-	-	-	-	-
AC Cook	12,945,592	-	-	-	12,945,592
P Moore	-	-	-	-	-
SG Ryan	-	-	-	-	-
D Bakker	-	-	-	-	-
Other Executives					
PP Huizenga	11,976,196	-	-	-	11,976,196
TO Naude	3,992,512	-	-	-	3,992,512 ¹
A Doering ²	1,237,001	-	-	-	1,237,001

¹ This balance reflects the shares held by Mr TO Naude on the date that he resigned as Chief Financial Officer on 31 May 2023.

² Mr A Doering was appointed as Chief Financial Officer on 1 June 2023. His balance at 1 July 2022 is representative of the number shares he held as an employee (before becoming a KMP).

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance rights - LTIP held by key management personnel

2023	Held at 1 July 2022	Granted	Exercised	Lapsed	Held at 30 June 2023	Vested and exercisable at 30 June 2023	Vested and un-exercisable at 30 June 2023
Directors							
WA Foster	-	-	-	-	-	-	-
AC Cook	2,179,724	2,893,092	-	-	5,072,816	-	-
P Moore	-	-	-	-	-	-	-
SG Ryan	-	-	-	-	-	-	-
D Bakker	-	-	-	-	-	-	-
Other Executives							
PP Huizenga	1,001,092	1,328,724	-	-	2,329,816	-	-
TO Naude ¹	585,468	933,986	-	1,519,454	-	-	-
A Doering ²	180,000	246,924	-	-	426,924	-	-
Total	3,946,284	5,402,726	-	1,519,454	7,829,556	-	-

¹ Mr TO Naude's performance rights lapsed in June 2023 after his resignation as Chief Financial Officer on 31 May 2023.

² Mr A Doering's performance rights held as at 30 June 2023 include rights issued to him as part of the company's Employee Share Incentive Plan prior to commenting as Chief Financial Officer on 1 June 2023.

Performance rights - STIP held by key management personnel

2023	Held at 1 July 2022	Granted	Exercised ¹	Held at 30 June 2023	Vested and exercisable at 30 June 2023	Vested and un-exercisable at 30 June 2023
Directors						
WA Foster	-	-	-	-	-	-
AC Cook	544,931	-	544,931	-	-	-
P Moore	-	-	-	-	-	-
SG Ryan	-	-	-	-	-	-
D Bakker	-	-	-	-	-	-
Executives						
PP Huizenga	255,279	-	255,279	-	-	-
TO Naude	147,831	-	147,831	-	-	-
A Doering	-	-	-	-	-	-
Total	948,041	-	948,041	-	-	-

¹ The performance rights were exercised and settled in cash in the amount of \$184,868 on 18 July 2022 at the Board's discretion.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Details of performance rights granted to KMP during the year ended 30 June 2023 are:

KMP	Instrument	Grant date	Expiry date	Vesting date	Fair value per right \$	Exercise price	Number of performance rights granted	Number of performance rights vested	Maximum value to be recognised in future periods \$
A Cook	Performance rights - LTIP	18 Nov 2022	17 Nov 2032	30 Jun 2025	0.15	-	2,893,092	-	183,229
P Huizenga	Performance rights - LTIP	1 Jul 2022	30 Jun 2032	30 Jun 2025	0.19	-	1,328,724	-	106,298
T Naude	Performance rights - LTIP	1 Jul 2022	30 Jun 2032	30 Jun 2025	0.19	-	933,986	-	- ¹
A Doering	Performance rights - LTIP	1 Jul 2022	30 Jun 2032	30 Jun 2025	0.19	-	246,924 ²	-	19,754
Total							5,402,726	-	309,281

¹ Mr T Naude's performance rights lapsed in June 2023 after his resignation as Chief Financial Officer on 31 May 2023.

² Performance rights granted to Mr A Doering are representative of the rights received as an employee (before becoming a KMP).

Details of performance rights granted to KMP in previous years that are still vesting are:

KMP	Instrument	Grant date	Expiry date	Vesting date	Fair value per right \$	Exercise price	Number of performance rights granted	Number of performance rights vested	Maximum value to be recognised in future periods \$
A Cook	Performance rights - LTIP	12 Nov 21	1 Jul 31	30 Jun 24	0.24	-	2,179,724	-	174,378
P Huizenga	Performance rights - LTIP	1 Jul 21	1 Jul 31	30 Jun 24	0.19	-	1,001,092	-	61,734
T Naude	Performance rights - LTIP	1 Jul 21	1 Jul 31	30 Jun 24	0.19	-	585,468	-	- ¹
A Doering	Performance rights - LTIP	1 Jul 21	1 Jul 31	30 Jun 24	0.19	-	180,000 ²	-	11,100
Total							3,946,284	-	247,212

¹ Mr T Naude's performance rights lapsed in June 2023 after his resignation as Chief Financial Officer on 31 May 2023.

² Performance rights granted to Mr A Doering are representative of the rights received as an employee (before becoming a KMP).

End of Remuneration Report

DIRECTORS' REPORT

Non-audit services

The auditors have not performed any non-audit services over and above their statutory duties during the current reporting period.

Directors' interests

At the date of this report, the relevant interests of the directors in securities of the Company are as follows:

Name	Ordinary Shares	Performance Rights
WA Foster	1,425,938	-
AC Cook	15,938,797	5,072,816
P Moore	964,232	-
SG Ryan	305,221	-
D Bakker	574,774	-

Diversity

For the year ended 30 June 2023, women made up 20% of the Board and 42% of the Company's general work force.

The Board has set the following measurable diversity objectives for the 2023 financial year:

2023 Measurable objectives	Progress
Aim to have not less than 30% of the directors of each gender	Female Board representation in 2023 was 20% (2022: 20%).
Dedicated mentoring program for the female employees of the Company	The Company provided ongoing training, mentoring and professional support in the development of all employees' careers.
Maintain flexible work practices	The Company continued to maintain its flexible work practices which includes a parental leave policy and provides employees the ability to maintain flexible hours and to work from home where required.

Likely developments

The likely developments for the 2023 financial year are contained in the operating and financial review as set out on pages 6 to 24.

Environmental regulation and performance

The Group's oil and gas exploration and development activities are concentrated in offshore Western Australia. Environmental obligations are regulated under both State and Commonwealth law in Western Australia, depending on whether a permit sits in State or Commonwealth waters. The Group is not aware of any significant environmental breaches during the year ended 30 June 2023.

Dividends

No dividends were paid during the year and the directors do not recommend payment of a dividend in respect of the current financial year (2022: Nil).

Auditor's independence declaration

The auditor's Independence Declaration under Section 307C of the Corporations Act is set out on page 46 and forms part of the directors' report for the financial year ended 30 June 2023.

Principal activities

During the course of the 2023 financial year the Group's principal activities continued to be directed towards oil and gas exploration, development and production.

DIRECTORS' REPORT

Identification of independent directors

The independent directors are identified in the Company's Corporate Governance Statement. The Corporate Governance Statement is available on Carnarvon Energy's website at: carnarvon.com.au/about-us/corporate-governance/.

Significant changes in state of affairs

In the opinion of the directors no significant changes in the state of affairs of the Group occurred during the current financial year other than as outlined in the operating and financial review as set out on pages 6 to 24.

Indemnification and insurance of directors and officers

During the period the Company paid a premium to insure the directors and officers of the Company and its controlled entities. The policy prohibits the disclosure of the nature of the liabilities covered and the amount of the premium paid.

Deeds of Access and Indemnity have been executed by the Company with each of the directors and Company Secretary. The deeds require the Company to indemnify each director and Company Secretary against any legal proceedings, to the extent permitted by law, made against, suffered, paid or incurred by the directors or Company Secretary pursuant to, or arising from or in any way connected with the director or Company Secretary being an officer of the Company.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of the proceedings. The Company was not a party to any such proceedings during the year.

Operating and financial review

An operating and financial review of the Group for the financial year ended 30 June 2023 is set out on pages 6 to 24 and forms part of this report.

Indemnity of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Events subsequent to reporting date

On 14 July 2023, the Company issued 6,868,468 performance rights to KMP (other than the CEO) and other employees under the Company's performance rights plan.

On 14 July 2023, the Company cancelled 63,496 unvested performance rights following the resignation of a non-KMP in accordance with the terms of the Company's Performance Rights Plan.

On 31 July 2023, the Company surrendered the AC/P63 Exploration Permit.

On 16 August 2023, the Company surrendered the AC/P62 Exploration Permit.

On 16 August 2023, the Company announced completion of the partial divestment of its Bedout Sub-basin interest to OPIC Australia Pty Limited, a subsidiary of CPC Corporate, Taiwan. The company received US\$58 million upfront on completion date and will receive a further US\$90 million carry on the Company's forward exploration expenditure once Final Investment Decision is made on the Dorado Development.

Other than above, there is no other matters or circumstance has arisen since 30 June 2023 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

- (i) The Group's operations; or
- (ii) The results of those operations; or
- (iii) The Group's state of affairs

DIRECTORS' REPORT

Rounding off

The Company is an entity of the kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016. As a result, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.



William A Foster

Chair

Perth, 30 August 2023

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AUDITOR'S INDEPENDENCE DECLARATION



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11 Mounts Bay Road
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GPO Box M939 Perth WA 6843

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Fax: +61 8 9429 2436
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Auditor's independence declaration to the directors of Carnarvon Energy Limited

As lead auditor for the audit of the financial report of Carnarvon Energy Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Carnarvon Energy Limited and the entities it controlled during the financial year.

A stylized signature of Ernst & Young, written in black ink.

Ernst & Young

A handwritten signature in black ink, appearing to read 'T S Hammond'.

T S Hammond
Partner
30 August 2023

CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Carnarvon Energy Limited and its Controlled Entities ('the Group') have adopted the fourth edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council in February 2019 and became effective for financial years commencing on or after 1 January 2020.

The Group's Corporate Governance Statement for the financial year ending 30 June 2023 is dated as at 30 June 2023 and was approved by the Board on 30 August 2023. The Corporate Governance Statement is available on Carnarvon Energy's website at carnarvon.com.au/about-us/corporate-governance/.

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CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Notes	Consolidated	
		2023 \$000	2022 \$000
Other income	2	3,390	336
Foreign exchange gain/(loss)		1,521	3,800
Administrative expenses		(2,634)	(2,988)
Gain/(loss) on remeasurement of fair value assets	8	32	(525)
Directors' fees		(520)	(465)
Employee benefits expense	20(a)	(3,356)	(2,597)
New venture and advisory costs		(1,737)	(2,098)
Exploration expenditure written off	12	-	(10,724)
Loss on disposal of financial assets		-	(26)
Share of loss of Joint venture	14	(792)	(30,633)
Impairment of investment in joint venture		-	(7,833)
(Loss)/gain before income tax		(4,096)	(53,753)
Taxes			
Current income tax expense	6(a)	-	-
(Loss)/gain for the year		(4,096)	(53,753)
Other comprehensive income			
Other Comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences arising on translation of foreign operations		(22)	-
Total comprehensive income for the year		(4,118)	(53,753)
Total comprehensive income for the period attributable to members of the entity		(4,118)	(53,753)
Loss /Earnings per share:			
Basic (loss)/earnings per share (cents per share)	5	(0.23)	(3.31)
Diluted (loss) /earnings per share (cents per share)	5	(0.23)	(3.31)

The above consolidated income statement and other comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	Consolidated	
		2023 \$000	2022 \$000
Current assets			
Cash and cash equivalents	17(b)	95,301	112,424
Other receivables	7	1,070	674
Other assets	10	642	184
Total current assets		97,013	113,282
Non-current assets			
Property, plant and equipment	9	37	80
Financial assets	8	667	557
Exploration and evaluation expenditure	12	169,382	157,263
Right-of-use assets	11	186	390
Investment in Joint Venture	14	1,287	2,079
Total non-current assets		171,559	160,369
Total assets		268,572	273,651
Current liabilities			
Trade and other payables	15	1,187	2,531
Employee benefits	20(b)	663	569
Lease liabilities	11	220	221
Total current liabilities		2,070	3,321
Non-current liabilities			
Employee benefits	20(b)	147	132
Lease liabilities	11	-	220
Total non-current liabilities		147	352
Total liabilities		2,217	3,673
Net assets		266,355	269,978
Equity			
Contributed equity	16	314,176	314,096
Reserves	16	1,404	1,011
(Accumulated losses)/retained profit		(49,225)	(45,129)
Total equity		266,355	269,978

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	Issued capital \$000	Reserve shares \$000	(Accumulated losses) / retained profit \$000	Translation reserve \$000	Share based payments reserve \$000	Total \$000
Balance at 1 July 2021	246,268	(7,638)	8,624	152	7,108	254,514
Comprehensive Income						
Loss for the year	-	-	(53,753)	-	-	(53,753)
Total comprehensive loss for the year	-	-	(53,753)	-	-	(53,753)
Transactions with owners and other transfers						
Share based payments	-	-	-	-	626	626
Proceeds from capital raise	70,442	-	-	-	-	70,442
Transaction costs related to capital raise	(3,248)	-	-	-	-	(3,248)
Exercise of ESP shares	634	763	-	-	-	1,397
Total transactions with owners and other transfers	67,828	763	-	-	626	69,217
Balance at 30 June 2022	314,096	(6,875)	(45,129)	152	7,734	269,978
Balance at 1 July 2022	314,096	(6,875)	(45,129)	152	7,734	269,978
Comprehensive Income						
Loss for the year	-	-	(4,096)	(22)	-	(4,118)
Total comprehensive loss for the year	-	-	(4,096)	(22)	-	(4,118)
Transactions with owners and other transfers						
Share based payments	-	-	-	-	503	503
Cash settlement of STI performance rights	-	-	-	-	(185)	(185)
Exercise of ESP shares	80	97	-	-	-	177
Total transactions with owners and other transfers	80	97	-	-	318	495
Balance at 30 June 2023	314,176	(6,778)	(49,225)	130	8,052	266,355

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Notes	Consolidated	
		2023 \$000	2022 \$000
Cash flows from operating activities			
Payments to suppliers and employees		(7,570)	(5,957)
Interest received		2,930	337
Net cash used in operating activities	17(a)	(4,640)	(5,620)
Cash flows from investing activities			
Exploration and development expenditure		(13,628)	(38,126)
Other financial assets		(100)	(66)
Acquisition of property, plant and equipment	9	(10)	(18)
Investment in joint ventures		(55)	(14,493)
Cash recognised on gain of control of subsidiary		-	146
Net cash used in investing activities		(13,793)	(52,557)
Cash flows from financing activities			
Proceeds from capital raise - net of transaction costs		-	67,194
Proceeds from repayment of Employee Share Plan loans		177	1,397
Payment of principal portion of lease	11	(235)	(226)
Net cash provided by financing activities		(58)	68,365
Net increase in cash and cash equivalents held		(18,491)	10,188
Cash and cash equivalents at the beginning of the financial year		112,424	98,436
Effect of exchange rate fluctuations on cash and cash equivalents		1,368	3,800
Cash and cash equivalents at the end of the financial year	17(b)	95,301	112,424

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

The consolidated financial report of Carnarvon Energy Limited ('Company') for the financial year ended 30 June 2023 comprises the Company and its controlled entities (the "Group").

Carnarvon Energy Limited is a for profit oil, gas and energy exploration and production company limited by shares incorporated in Australia at the registered office of Level 2, 76 Kings Park Road, West Perth, Western Australia, whose shares are publicly traded on the Australian Stock Exchange.

The financial report was authorised for issue by the directors on 30 August 2023.

The basis for the preparation of the following notes can be found in note 29 and the significant accounting policies used in the preparation can be found in note 30.

2. OTHER INCOME

	Consolidated	
	2023 \$000	2022 \$000
Interest revenue ¹	3,390	336
	3,390	336

¹ Interest revenue is calculated using the effective interest rate method.

3. OTHER EXPENSES

	Consolidated	
	2023 \$000	2022 \$000
The following expenses are included in administrative and employee benefit expenses in the consolidated income statement:		
Depreciation – property, plant and equipment	(53)	(66)
Depreciation – right-of-use assets	(203)	(203)
Defined contribution – superannuation expense	(284)	(311)

NOTES TO THE FINANCIAL STATEMENTS

4. AUDITORS' REMUNERATION

As a result of work in relation to and required for the 30 June 2023 period, the auditor of the Group, Ernst & Young, has charged the following fees:

	2023 \$	2022 \$
<i>Fees to Ernst & Young Australia:</i>		
Fees for auditing statutory financial report of the parent covering the group and auditing the statutory financial report of any controlled entities	(77,311)	(98,875)

5. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted earnings per share was based on a weighted average number of shares calculated as follows:

	2023 Number of shares	2022 Number of shares
Issued ordinary shares at 1 July	1,800,186,904	1,565,379,917
Shares issued	-	234,806,987
Weighted average number of ordinary shares 30 June (basic)	1,800,186,904	1,623,920,837
Weighted average number of ordinary shares 30 June (diluted)	1,800,186,904	1,623,920,837

	2023 \$	2022 \$
(Loss)/Earnings used in calculating basic and diluted loss per share	(4,096,000)	(53,753,000)

As the consolidated entity incurred a loss for the year ended 30 June 2023, the effect of 10,735,208 performance rights on issue is considered to be antidilutive and therefore not factored in determining the diluted earnings per share.

As at 30 June 2023, the Group has 40,790,892 reserve shares on issue under the employee share plan (refer Note 16). Based on the weighted average exercise price of these in substance options, they are also considered to be anti-dilutive and therefore have not impacted the calculation of diluted loss per share.

NOTES TO THE FINANCIAL STATEMENTS

6. TAXES

	Consolidated	
	2023 \$000	2022 \$000
(a) Income tax expense		
<i>Current Income tax expense</i>		
Current Income tax (benefit) / expense	-	-
Adjustment for prior period	(70)	99
	(70)	99
<i>Deferred tax (income)</i>		
Origination and Reversal of temporary differences – current		
Adjustment for prior period	70	(99)
	70	(99)
Total income tax (benefit) / expense	-	-
<i>Numerical reconciliation between pre-tax profit and income tax expense:</i>		
Profit/(Loss) for the period	(4,096)	(53,753)
Income tax using the statutory rate of 30% (2022: 30%)	(1,229)	(16,126)
Share based payment expense	151	188
Accounting loss on Joint Venture agreement	238	9,190
Revaluation/impairment of financial assets	6	158
Impairment of assets	5	5,567
Other permanent adjustment	4	(26)
Current year tax benefit not brought to account	825	1,049
	-	-
Under(over) provision in prior years	-	-
Income tax (benefit) / expense	-	-

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NOTES TO THE FINANCIAL STATEMENTS

6. TAXES (CONTINUED)

(b) Current tax liability

The current tax liability of nil (2022: nil) represents the amount of income tax payable in respect of current and prior financial periods.

Tax Consolidation

Effective 1 July 2003, for the purposes of Australian income taxation, Carnarvon and its 100%-owned Australian controlled entities formed a tax consolidated group. The head entity of the tax consolidated group is Carnarvon.

The impact of consolidating for tax purposes is that Carnarvon's Australian controlled entities are treated as divisions of Carnarvon rather than as separate entities for tax purposes. At the date of this report, the members of the group have not entered into a tax sharing arrangement.

(c) Deferred tax assets and liabilities

	Consolidated	
	2023	2022
	\$000	\$000
<i>Deferred tax liabilities</i>		
Capitalised exploration deducted immediately	47,495	47,179
Unrealised foreign exchange gains	474	1,146
Gross deferred tax liabilities	47,969	48,325
	2023	2022
	\$000	\$000
<i>Deferred tax assets</i>		
Carry forward revenue tax losses	63,881	63,118
Unrealised foreign exchange loss	-	-
Property, plant and equipment	102	89
Share issue costs	609	846
Provisions	243	211
Accruals	21	28
Lease liability and right-of-use-assets	10	15
Gross deferred tax assets	64,866	64,307
Set-off of deferred tax liabilities pursuant to set-off provisions	(47,969)	(48,325)
Unrecognised deferred tax asset	(16,897)	(15,982)
Net deferred tax assets	-	-

NOTES TO THE FINANCIAL STATEMENTS

6. TAXES (CONTINUED)

(d) Partially unrecognised tax losses and PRRT credits (not tax effected)

	2023 \$000	2022 \$000
Total Australian tax losses	212,938	210,394
Unaugmented PRRT losses	205,670	194,020

7. OTHER RECEIVABLES

	Consolidated	
	2023 \$000	2022 \$000
<i>Current</i>		
Other receivables	852	456
Cash held as security	218	218
	1,070	674

The Group's exposure to credit and currency risks is disclosed in Note 25.

8. FINANCIAL ASSETS

	2023 \$000	2022 \$000
Financial assets at FVTPL	667	557
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current financial year are set out below:		
Beginning balance	491	1,339
Gain/(loss) on remeasurement of fair value assets	32	(525)
Disposal of financial assets	(22)	(323)
Closing balance	501	491
Other financial assets	166	66
Carrying value at the end of period	667	557

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL ASSETS (CONTINUED)

On 6 September 2017, CWX Global Limited (formerly Loyz Energy Limited) (“CWX”) issued 331,653,000 shares to Carnarvon. The shares were received as settlement for a deferred consideration asset relating to the sale of Carnarvon’s share in oil producing Concessions in Thailand to CWX in 2014. As part of the settlement, Carnarvon is also entitled to 12% of any sale proceeds over US\$45m, should CWX sell the Concessions.

During the reporting period, Carnarvon disposed of 10,083,700 shares at average of S\$0.002/share.

The shares in CWX held by Carnarvon at 30 June 2023 has been accounted for as a fair value through profit or loss financial asset under Australian Accounting Standards and classified as a “level 1” financial asset under the fair value hierarchy using the share price of CWX as at 30 June 2023.

Other financial assets:

On 4 March 2022, Carnarvon entered into a 12-month call option (Call Option) to purchase a 65Ha site in the Shire of Narrogin, approximately 200kms southeast of Perth, Western Australia, for its proposed biorefinery project. The option fee payable under the Call Option was \$70,000. On 28 February 2023, the parties agreed to extend the Call Option by 6 months to 4 September 2023, with an additional option fee payable of \$80,000. On 25 July 2023, the parties agreed to further extend the Call Option by 9 months to 4 June 2024, with an additional option fee payable of \$45,000. The total of the option fee(s) under the Call Option, as extended, will be credited against the price of the land if the Company exercises the option.

9. PROPERTY, PLANT AND EQUIPMENT

Fixtures and fittings

Gross carrying amount at cost:

Balance at beginning of financial year

Additions

Balance at end of financial year

Depreciation and impairment losses:

Balance at beginning of financial year

Depreciation charge for year

Balance at end of financial year

Carrying amount opening

Carrying amount closing

	Consolidated	
	2023	2022
	\$000	\$000
Balance at beginning of financial year	747	729
Additions	10	18
Balance at end of financial year	757	747
Balance at beginning of financial year	667	601
Depreciation charge for year	53	66
Balance at end of financial year	720	667
Carrying amount opening	80	128
Carrying amount closing	37	80

NOTES TO THE FINANCIAL STATEMENTS

10. OTHER ASSETS

	Consolidated	
	2023	2022
	\$000	\$000
<i>Current</i>		
Prepayments	642	184

11. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES

The Group has leases which predominantly relate to office premise and office car bays. Amounts recognised in the statement of financial position and the carrying amounts of the Group's right-of-use assets and lease liabilities and the movement during the period are as follows:

	Consolidated	
	2023	2022
	\$000	\$000
<i>Rights-of-use asset</i>		
Balance at beginning of financial year	389	592
Additions	-	-
Depreciation expense	(203)	(203)
Balance at end of financial year	186	389

	Consolidated	
	2023	2022
	\$000	\$000
<i>Lease liabilities</i>		
Balance at beginning of financial year	441	644
Additions	-	-
Interest expense	14	23
Lease payments	(235)	(226)
Balance at end of financial year	220	441
Current lease	220	221
Non-current lease	-	220
Balance at end of financial year	220	441

The following are the amounts recognised in profit or loss:

	Consolidated	
	2023	2022
	\$000	\$000
Depreciation – right-of-use assets	(203)	(203)
Interest expense – lease liabilities	(14)	(23)

NOTES TO THE FINANCIAL STATEMENTS

12. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2023 \$000	2022 \$000
Cost:		
Balance at beginning of financial year	157,263	129,500
Additions	12,119	38,487
Exploration expenditure written off	-	(10,724)
Balance at end of financial year	169,382	157,263

Recoverability

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

The Company performed an assessment on whether the carry value of the exploration and evaluation expenditure is recoverable at 30 June 2023, and have formed the view that the capitalised expenditure is fully recoverable.

Divestment

On 22 February 2023, the Company entered into a binding agreement to divest a 10% interest in its Bedout assets to OPIC Australia Pty Limited, a wholly owned subsidiary of CPC Corporation, Taiwan (CPC), Taiwan's national oil and gas company.

Under the agreement, the Company is set to receive total cash consideration of approximately US\$148,000,000 from the divestment. This comprises an upfront payment of US\$56,000,000 on completion of the transaction, and a further carry of US\$90,000,000 of forward expenditure in the Bedout permits once a Final Investment Decision (FID) is taken on the Dorado development.

The divestment was completed subsequent to year end upon all conditions associated with the transaction, including approval by the Foreign Investment Review Board (FIRB), being satisfied (refer to note 24).

13. JOINT OPERATIONS

The Group has the following interests in joint operations:

Joint operation	Principal activities	Ownership interest %	
		2023	2022
<i>Western Australia</i>			
WA-435-P, WA-437-P, Roebuck Basin	Exploration for hydrocarbons	20%	20%
WA-436-P, WA-438-P, Roebuck Basin	Exploration for hydrocarbons	30%	30%
WA-64-L, Roebuck Basin	Exploration for hydrocarbons	20%	20%

Carnarvon has accounted for its interest in the above Concessions as Joint Operations as the company has joint control. Joint control is derived from the voting rights assigned by the Joint Operating Agreements for each permit.

NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENT IN JOINT VENTURE – FUTUREENERGY

In October 2021, Carnarvon formed a Joint venture with Frontier Impact Group under the name FutureEnergy Australia Pty Ltd (“FEA”) to produce renewable diesel in Western Australia. With 50% equity in the joint venture, Carnarvon invested A\$2,592,000 into FEA on 21st October 2021 to fund the FEED activities for a renewable diesel refinery.

The Group’s interest in FEA is accounted for as a joint venture using the equity method.

Reconciliation of interest in FEA:

	30 June 2023 \$000	30 June 2022 \$000
Investment in joint venture beginning balance	2,079	2,592
Share of loss for the period (50%)	(792)	(513)
Investment in joint venture closing balance	1,287	2,079

Summarised financial information of FEA:

Summarised statement of financial position of FEA at 30 June 2023:

	30 June 2023 \$000	30 June 2022 \$000
Current assets		
Cash and cash equivalents	34	1,629
Non-current assets	2,592	2,592
Current liabilities		
Trade and other payables	52	63
Equity	2,574	4,158
Group’s share in equity (50%)	1,287	2,079
Group’s carrying amount of the investment	1,287	2,079

Summarised statement of profit or loss of FEA for the year ending to 30 June 2023:

	30 June 2023 \$000	30 June 2022 \$000
Other Income	409	-
Administrative expenses	(1,576)	(539)
Employee benefits	(417)	(486)
Loss for the period	(1,584)	(1,025)
Group’s share of loss for the period (50%)	(792)	(513)

NOTES TO THE FINANCIAL STATEMENTS

15. TRADE AND OTHER PAYABLES

	Consolidated	
	2023 \$000	2022 \$000
<i>Current</i>		
Trade payables	1,045	2,234
Director fees payable	74	90
Non-trade payables and accrued expenses	68	207
	<u>1,187</u>	<u>2,531</u>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 25.

16. CAPITAL AND RESERVES

	Consolidated	
	2023 Number of shares	2022 Number of shares
<i>Contributed equity</i>		
Balance at beginning of financial year	1,800,186,904	1,565,379,917
Issued for cash	-	234,806,987
Balance at end of financial year	<u>1,800,186,904</u>	<u>1,800,186,904</u>
	2023 \$000	2022 \$000
<i>Issued capital</i>		
Balance at beginning of financial year	314,096	246,268
Exercise of employee shares	80	634
Proceeds from capital raise	-	67,194
Balance at end of financial year	<u>314,176</u>	<u>314,096</u>

NOTES TO THE FINANCIAL STATEMENTS

16. CAPITAL AND RESERVES (CONTINUED)

Ordinary shares have the right to one vote per share at meetings of Carnarvon, to receive dividends as declared and, in the event of a winding-up of Carnarvon, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on, shares held.

	2023	2022
	Number of shares	
<i>Reserve shares (plan shares)</i>		
Balance at beginning of financial year	42,062,668	52,497,274
Employee Share Plan issued	-	-
Employee Share Plan repaid	(1,271,776)	(10,434,606)
Balance at end of financial year	40,790,892	42,062,668
	2023	2022
	\$000	
<i>Reserve shares (plan shares)</i>		
Balance at beginning of financial year	(6,875)	(7,638)
Repayment of Employee Share Plan Loans	97	763
Balance at end of financial year	(6,778)	(6,875)

Translation reserve

Movements in the translation reserve are set out in the Statement of Changes in Equity on page 50.

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Share based payments reserve

Movements in the share-based payments reserve are set out in the Statements of Changes in Equity on page 50. This reserve represents the fair value of shares and rights issued under the previous Employee Share Plan and current Employee Share Incentive Plan respectively.

NOTES TO THE FINANCIAL STATEMENTS

17. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated	
	2023 \$000	2022 \$000
(a) Cash flows from operating activities		
(Loss)/profit for the year	(4,096)	(53,753)
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	53	67
Depreciation on right-of-use assets	203	203
Share based payment	503	627
Fair value movement of financial asset	(32)	525
Foreign exchange movement	(1,521)	(4,027)
Exploration expenditure write-off	-	10,724
Interest accrued	(461)	-
Employee benefit accrual adjustments	352	-
Share of loss on Joint Venture	792	30,633
Impairment of Investment in joint ventures	-	7,833
Operating loss before changes in working capital and provisions:	(4,207)	(7,168)
Changes in assets and liabilities:		
(Increase) in other receivables	(422)	(322)
Decrease in other assets	14	544
Increase in trade and other payables	403	1,221
Increase/(Decrease) in provisions and employee benefits	(243)	105
(Decrease) in ESP reserve	(185)	-
Net cash flows used in operating activities	(4,640)	(5,620)
(b) Reconciliation of cash and cash equivalents		
Cash at bank and at call	8,308	16,124
Cash on deposit	86,993	96,300
	95,301	112,424

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in Note 25.

Restricted cash of \$218,000 relating to security deposits for corporate credit cards and rental of the Company's head office is included under other receivables (2022: \$218,000 consolidated), see Note 7.

NOTES TO THE FINANCIAL STATEMENTS

20. EMPLOYEE BENEFITS

	Consolidated	
	2023	2022
	\$000	\$000
(a) Employee benefits charged to P&L		
Salary and wages (including super)	4,176	4,569
Staff costs allocated to projects	(1,323)	(2,697)
Short term cash bonus	-	99
Share based payment expense	503	626
Total Employee benefits	3,356	2,597
(b) Employee benefits liabilities		
<i>Current:</i>		
Liability for annual leave and long service leave	663	569
<i>Non-Current:</i>		
Provision for long service leave	147	132
Total Employee benefits	810	701

Employee Share Plan

Under the terms of the Carnarvon's previous Employee Share Plan ("ESP"), as approved by shareholders, Carnarvon may, in its absolute discretion, make an offer of ordinary fully paid shares in Carnarvon to any Eligible Person, to be funded by a limited recourse interest free loan granted by the Company.

The issue price is determined by the directors and is not to be less than the weighted average market price of the Carnarvon's shares on the five trading days prior to the date of offer. Eligible Persons use the above-mentioned loan to acquire plan shares.

NOTES TO THE FINANCIAL STATEMENTS

20. EMPLOYEE BENEFITS (CONTINUED)

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in plan shares during the year:

	Number 2023	WAEP 2023	Number 2022	WAEP 2022
Outstanding at beginning of year	42,062,668	0.30	52,497,274	0.27
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	1,271,776	0.14	10,434,606	0.13
Expired during the year	-	-	-	-
Outstanding at end of year	40,790,892	0.31	42,062,668	0.30
Exercisable at end of year	40,790,892	0.31	42,062,668	0.30

Shares previously granted under the ESP are accounted for as “in-substance” options due to the limited recourse nature of the loan between the employees and Carnarvon to finance the purchase of ordinary shares. There were no ESP shares issued during the period.

Employee share Incentive plan

The following table illustrates the balance and valuation of performance rights using Monte Carlo Simulation model as at 30 June 2023:

Instrument	Held at 1 July 2022	Share price at grant date	Date Granted	Vesting period (years)	Exercise price	Share price volatility	Risk free rate	Dividend yield	Rights Granted	Rights Forfeited	Rights Vested	Fair value at grant date	Held at 30 June 2023 (unvested)
PR-LTIP	2,716,560	0.26	01/07/2021	3	-	50%	0.1%	-	-	585,468	-	0.19	2,131,092
PR-STIP	403,110	0.26	01/07/2021	1	-	50%	0.1%	-	-	-	403,110	0.26	-
PR-LTIP	2,179,724	0.33	12/11/2021	3	-	50%	0.1%	-	-	-	-	0.24	2,179,724
PR-STIP	544,931	0.33	12/11/2021	1	-	50%	0.1%	-	-	-	544,931	0.33	-
PR-LTIP	-	0.19	01/07/2022	3	-	64%	0.9%	-	4,475,676	997,482	-	0.12	3,478,194
PR-LTIP	-	0.16	05/10/2022	3	-	64%	2.6%	-	53,106	-	-	0.10	53,106
PR-LTIP	-	0.15	18/11/2022	3	-	64%	2.9%	-	2,893,092	-	-	0.10	2,893,092
Total	<u>5,844,325</u>								<u>7,421,874</u>	<u>1,582,950</u>	<u>948,041</u>		<u>10,735,208</u>

Under the terms of the Employee Share Incentive Plan (Plan) which was last approved by shareholders of the Company on 11 November 2020, performance rights can be granted to eligible employees for no consideration. Entitlements under these awards vest as soon as the associated vesting conditions have been met. Awards can be settled in cash at the absolute discretion of the Company. Awards under the Plan carry dividends and voting rights.

Performance rights awarded under the STIP are granted for a 12-month period. The vesting condition requires the employee to remain employed by the Company over the vesting period and as at the vesting date.

Performance rights awarded under the LTIP are granted for a 3-year period. The vesting conditions are based on Carnarvon's Total Shareholder Return (TSR) (1) in absolute terms and (2) relative to the returns of a group of companies considered alternative investments to Carnarvon.

The participants must also be employed by the Company over the vesting period and as at the vesting date.

NOTES TO THE FINANCIAL STATEMENTS

The vesting schedule of 50% of the LTIP performance rights will be subject to relative TSR testing is as follows:

Relative TSR Performance	Level of vesting
Less than 50th percentile	Zero
Between 50th and 75th percentile	Pro rata between 50% and 100%
75th percentile or better	100%

Peer Group: 88 Energy, Buru Energy, Central Petroleum, Cooper Energy, Elixir Energy, Empire Energy, Galilee Energy, Helios Energy, Horizon Oil, Karoon Energy, Strike Energy, Tamboran Resources.

The vesting schedule of 50% of the LTIP performance rights will be subject to absolute TSR testing is as follows:

Absolute TSR Performance	% of performance rights that will vest
10% per annum return	33%
Between 10% and 20% per annum	Pro rata between 33% and 100%
Above 20% per annum	100%

There is an expiration date of 10 years and an exercise period of 90 days from the vesting dates for both STIP and LTIP performance rights.

21. RELATED PARTY DISCLOSURES

Ultimate parent

Carnarvon Energy Limited is the ultimate parent company.

During the reporting period, the Company provided accounting and administrative services to its other controlled entities for which it did not charge a management fee.

The carrying value of loans to Carnarvon Petroleum Timor Unipessoal LDA (CPT) was \$4,604,962 as at 30 June 2023 (2022: \$3,099,000). This amount is unsecured, interest-free and is only repayable out of the after-tax profits and has been recorded at a fair value of nil in the Group's statement of financial position as it is only repayable out of after-tax profits of CPT noting that the entity is in the process of being wound-up.

Other related party balances and transactions

At 30 June 2023, an amount of \$ 74,000 (2022: \$90,000) is included in the Group's trade and other payables balance for outstanding director fees and expenses.

NOTES TO THE FINANCIAL STATEMENTS

22. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

Key management personnel compensation included in employee benefits expense, directors' emoluments, share based payments and administration expenses are as follows:

	Consolidated	
	2023 \$000	2022 \$000
Short term benefits	2,013	1,924
Post employment benefits	124	66
Share based payments	345	825
Long term benefits	214	101
	<u>2,696</u>	<u>2,916</u>

Information regarding individual directors and executives' compensation and some equity instruments disclosures, as permitted by Corporations Regulation 2M.3.03, are provided in the Remuneration Report section of the directors' report as set out on pages 30 to 42.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

(b) Other key management personnel transactions

Amounts payable to key management personnel or their related parties at reporting date in respect of outstanding director fees and expenses are as follows:

	Consolidated	
	2023 \$000	2022 \$000
<i>Current</i>		
Director's fee payable	<u>74</u>	<u>90</u>

NOTES TO THE FINANCIAL STATEMENTS

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Ordinary shares held by key management personnel

The movement during the reporting period in the number of ordinary shares in Carnarvon Energy Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2023	Held at 1 July 2022	Net acquired/ (sold)	Award under Employee Share Plan	Received on exercise of options	Held at 30 June 2023
<i>Directors</i>					
WA Foster	1,425,938	-	-	-	1,425,938
AC Cook	15,938,797	-	-	-	15,938,797
P Moore	964,232	-	-	-	964,232
SG Ryan	305,221	-	-	-	305,221
D Bakker	574,774	-	-	-	574,774

Executives

PP Huizenga	12,076,196	250,000	-	-	12,326,196
TO Naude	4,019,357	-	-	-	4,019,357 ¹
A Doering ²	1,237,001	-	-	-	1,237,001

¹ This balance reflects the shares held by Mr TO Naude on the date that he resigned as Chief Financial Officer on 31 May 2023.

² Mr A Doering was appointed as Chief Financial Officer on 1 June 2023. His balance at 1 July 2022 is representative of the number shares he held as an employee (before becoming a KMP).

2022	Held at 1 July 2021	Net acquired/ (sold)	Award under Employee Share Plan	Received on exercise of options	Held at 30 June 2022
<i>Directors</i>					
WA Foster	1,425,938	-	-	-	1,425,938
AC Cook	15,938,797	-	-	-	15,938,797
P Moore	964,232	-	-	-	964,232
SG Ryan	305,221	-	-	-	305,221
D Bakker	304,774	270,000	-	-	574,774
<i>Executives</i>					
PP Huizenga	12,076,196	-	-	-	12,076,196
TO Naude	4,074,357	(55,000)	-	-	4,019,357

NOTES TO THE FINANCIAL STATEMENTS

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Plan shares held by key management personnel

Included in the above table are plan shares held by key management personnel held under the previous ESP loan scheme which are accounted for as in substance options (refer to page 65 for further terms). The balance and movement during the reporting period in the number of plan shares directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2023	Held at 1 July 2022	Granted as compensation	Employee Share Plan cancellations	Exercised	Held at 30 June 2023
<i>Directors</i>					
WA Foster	-	-	-	-	-
AC Cook	12,945,592	-	-	-	12,945,592
P Moore	-	-	-	-	-
SG Ryan	-	-	-	-	-
D Bakker	-	-	-	-	-
<i>Executives</i>					
PP Huizenga	11,976,196	-	-	-	11,976,196
TO Naude	3,992,512	-	-	-	3,992,512 ¹
A Doering ²	1,237,001	-	-	-	1,237,001

¹ This balance reflects the shares held by Mr TO Naude on the date that he resigned as Chief Financial Officer on 31 May 2023.

² Mr A Doering was appointed as Chief Financial Officer on 1 June 2023. His balance at 1 July 2022 is representative of the number shares he held as an employee (before becoming a KMP).

2022	Held at 1 July 2021	Granted as compensation	Employee Share Plan cancellations	Exercised	Held at 30 June 2022
<i>Directors</i>					
WA Foster	-	-	-	-	-
AC Cook	12,945,592	-	-	-	12,945,592
P Moore	-	-	-	-	-
SG Ryan	-	-	-	-	-
D Bakker	-	-	-	-	-
<i>Executives</i>					
PP Huizenga	11,976,196	-	-	-	11,976,196
TO Naude	3,992,512	-	-	-	3,992,512

(e) Options over equity instruments held by key management personnel

There were no options on issue that were still to vest at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(f) Performance rights- LTIP held by key management personnel

2023	Held at 1 July 2022	Granted	Exercised	Lapsed	Held at 30 June 2023	Vested and exercisable at 30 June 2023	Vested and unexercisable at 30 June 2023
<i>Directors</i>							
WA Foster	-	-	-	-	-	-	-
AC Cook	2,179,724	2,893,092	-	-	5,072,816	-	-
P Moore	-	-	-	-	-	-	-
SG Ryan	-	-	-	-	-	-	-
D Bakker	-	-	-	-	-	-	-
<i>Other Executives</i>							
PP Huizenga	1,001,092	1,328,724	-	-	2,329,816	-	-
TO Naude ¹	585,468	933,986	-	1,519,454	-	-	-
A Doering ²	180,000	246,924	-	-	426,924	-	-
Total	3,946,284	5,402,726	-	1,519,454	7,829,556	-	-

¹ Mr TO Naude's performance rights lapsed in June 2023 after his resignation as Chief Financial Officer on 31 May 2023.

² Mr A Doering's performance rights held as at 30 June 2023 include rights issued to him as part of the company's Employee Share Incentive Plan prior to commencing as Chief Financial Officer on 1 June 2023.

Performance rights- STIP held by key management personnel

2023	Held at 1 July 2022	Granted	Exercised ¹	Held at 30 June 2023	Vested and exercisable at 30 June 2023	Vested and unexercisable at 30 June 2023
<i>Directors</i>						
WA Foster	-	-	-	-	-	-
AC Cook	544,931	-	544,931	-	-	-
P Moore	-	-	-	-	-	-
SG Ryan	-	-	-	-	-	-
D Bakker	-	-	-	-	-	-
<i>Executives</i>						
PP Huizenga	255,279	-	255,279	-	-	-
TO Naude	147,831	-	147,831	-	-	-
A Doering	-	-	-	-	-	-
Total	948,041	-	948,041	-	-	-

¹ The performance rights were exercised and settled in cash in the amount of \$184,868 on 18 July 2022 at the Board's discretion.

NOTES TO THE FINANCIAL STATEMENTS

23. CONSOLIDATED ENTITIES AND JOINT VENTURE

Name	Country of Incorporation	Ownership interest	
		2023	2022
<i>Company</i>			
Carnarvon Energy Ltd	Australia		
<i>Controlled entities</i>			
Carnarvon Thailand Ltd	British Virgin Islands	100%	100%
Timor-Leste Petroleum Pty Ltd	Australia	100%	100%
Dorado Petroleum Pty Ltd	Australia	100%	100%
Carnarvon Bedout 1 Pty Ltd	Australia	100%	100%
Carnarvon Petroleum Timor Unip LDA	Timor-Leste	100%	100%
Carnarvon Future Energy Pty Ltd	Australia	100%	100%
FutureEnergy Australia Pty Ltd	Australia	50%	50%

24. SUBSEQUENT EVENTS

On 14 July 2023, the Company issued 6,868,468 performance rights to KMP (other than the CEO) and other employees under the company's performance rights plan.

On 14 July 2023, the Company cancelled 63,496 unvested performance rights following the resignation of a non-KMP in accordance with the terms of the Company's Performance Rights Plan.

On 31 July 2023, the Company surrendered the AC/P63 exploration permit.

On 16 August 2023, the Company surrendered the AC/P62 exploration permit.

On 16 August 2023, the Company announced completion of the partial divestment of its Bedout Sub-basin interest to OPIC Australia Pty Limited, a subsidiary of CPC Corporate, Taiwan. The company received US\$58 million upfront on completion date and will receive a further US\$90 million carry on the Company's forward exploration expenditure once Final Investment Decision is made on the Dorado Development.

Other than above, there is no other matters or circumstance which have arisen since 30 June 2023 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

- (i) The Group's operations; or
- (ii) The results of those operations; or
- (iii) The Group's state of affairs

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. This note presents qualitative and quantitative information about the Group's exposure to each of the above risks, their objectives, policies and procedures for managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the financial performance of the Group. The Group does not currently use derivative financial instruments to hedge financial risk exposures and therefore it is exposed to daily movements in the international oil prices, exchange rates, and interest rates.

The Group uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange, and commodity price risk and ageing analysis for credit risk.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Given the stage of the Group's development there are no formal targets set for return on capital. There were no changes to the Group's approach to capital management during the year. Neither the Company nor any of its controlled entities are subject to externally imposed capital requirements.

(a) Interest rate risk

The significance and management of the risks to the Group is dependent on a number of factors including:

- Interest rates (current and forward) and the currencies that are held;
- Level of cash and liquid investments and their term;
- Maturity dates of investments;
- Proportion of investments that are fixed rate or floating rate.

The Group manages the risk by maintaining an appropriate mix between fixed and floating rate investments.

At the reporting date, the effective interest rates of variable rate interest bearing financial instruments of the Group were as follows.

	Consolidated	
	2023	2022
<i>Carrying amount (A\$000)</i>		
Financial assets – cash and cash equivalents	95,301	112,424
<i>Weighted average interest rate (%)</i>		
Financial assets – cash and cash equivalents	4.42%	0.95%

All other financial assets and liabilities are non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

An increase in 100 basis points from the weighted average year-end interest rates at 30 June 2023 would have increased equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis was performed on 100 basis points for 2022:

	Consolidated	
	Equity \$000	Profit and loss \$000
30 June 2023	955	955
30 June 2022	1,126	1,126

A decrease in 100 basis points from the weighted average year-end interest rates at 30 June 2023 would have decreased equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis was performed on 100 basis points for 2022:

	Consolidated	
	Equity \$000	Profit and loss \$000
30 June 2023	(955)	(955)
30 June 2022	(1,126)	(1,126)

(b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Group and arises principally from the Group's receivables from customers and cash deposits.

The Group's receivables are deposits. There were no receivables at 30 June 2023 or 30 June 2022 that were past due.

Cash transactions are limited to financial institutions considered to have a suitable credit rating.

Exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated	
	2023 \$000	2022 \$000
<i>Carrying amount:</i>		
Cash and cash equivalents	95,301	112,424
Other receivables	1,070	674
	<u>96,371</u>	<u>113,098</u>

All cash held by the Group is deposited with investment grade banks and any expected credit loss is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

The aging of the Group's other receivables at reporting date was:

	Gross 2023 \$000	Impairment 2023 \$000	Gross 2022 \$000	Impairment 2022 \$000
Not past due	1,070	-	674	-
	<u>1,070</u>	<u>-</u>	<u>674</u>	<u>-</u>

The Group trades only with recognised creditworthy third parties and the exposure to credit risk as at balance date is not significant. The Group believes that no impairment allowance is necessary in respect of other receivables.

(c) Currency risk

Currency risk arises from assets and liabilities that are denominated in a currency other than the functional currencies of the entities within the Group, being the A\$ and US\$.

The Group does not currently use derivative financial instruments to hedge foreign currency risk and therefore is exposed to daily movements in exchange rates. However, the Group intends to maintain sufficient USD cash balances to meet its USD obligations.

The Group's exposure to foreign currency risk at balance date was as follows, based on carrying amounts.

	USD A\$000
<i>30 June 2023</i>	
Cash and cash equivalents	25,739
Trade payables and accruals	198
Gross balance sheet exposure	<u>25,937</u>
<i>30 June 2022</i>	
Cash and cash equivalents	29,449
Trade payables and accruals	198
Gross balance sheet exposure	<u>29,647</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD to:	2023	2022	2023	2022
1 USD	<u>1.485</u>	<u>1.384</u>	<u>1.506</u>	<u>1.452</u>

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

A 5% strengthening of the AUD against the USD for the 12 months to 30 June 2023 and 30 June 2022 would have decreased equity and pre-tax profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant:

	Consolidated	
	Equity \$000	Profit and loss \$000
30 June 2023		
USD	(1,846)	(1,846)
30 June 2022		
USD	(2,036)	(2,036)

A 5% weakening of the AUD against the USD for the 12 months to 30 June 2023 and 30 June 2022 would have increased equity and pre-tax profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant:

	Consolidated	
	Equity \$000	Profit and loss \$000
30 June 2023		
USD	2,041	2,041
30 June 2022		
USD	2,250	2,250

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under a range of financial conditions. The Group's significant balance of cash and cash equivalents are considered to be adequately address this risk.

The Group currently does not have any available lines of credit.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of any netting agreements:

	Carrying amount \$000	Contractual cash flows \$000	6 months or less \$000	6 to 12 months \$000
30 June 2023				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	1,045	1,045	1,045	-
30 June 2022				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	2,234	2,234	2,234	-

NOTES TO THE FINANCIAL STATEMENTS

26. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Other financial assets	501	-	-	501
Total assets	501	-	-	501
30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Other financial assets	557	-	-	557
Total assets	557	-	-	557

There were no transfers between levels during the financial year.

The carrying amounts of cash and cash equivalents, other receivables and trade and other payables approximate their fair values due to their short-term nature.

NOTES TO THE FINANCIAL STATEMENTS

27. PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the Australian accounting standards:

	2023 \$000	2022 \$000
Statement of financial position		
Current Assets	97,013	113,139
Non-current assets	171,058	159,878
Total assets	268,071	273,017
Current liabilities	2,070	1,457
Non-current liabilities	147	573
Total liabilities	2,217	2,030
Equity		
Issued Capital	314,176	314,096
(Accumulated loss) /gain	(49,596)	(43,968)
Reserves	1,273	859
Total equity	265,853	270,987
Statement of comprehensive income		
Total (loss)/ gain	(5,618)	(52,089)
Total comprehensive (loss)/gain	(5,618)	(52,089)

Parent Contingencies

In accordance with normal petroleum industry practice, Carnarvon has entered into joint arrangements and farmin agreements with other parties for the purpose of exploring and developing its petroleum permit interests. If a party to a joint operation defaults and does not contribute its share of joint operation's obligations, then the other joint operators may be liable to meet those obligations. In this event, the interest in the permit held by the defaulting party may be redistributed to the remaining joint operators.

(a) Exploration expenditure commitments

Due to the nature of Carnarvon's operations in exploring and evaluating areas of interest it is necessary to incur expenditure in order to retain Carnarvon's present permit interests. Expenditure commitments on exploration permits can be reduced by selective relinquishment of exploration tenure, by the renegotiation of expenditure commitments, or by farming out portions of Carnarvon's equity. Failure to meet Joint Operation cash requirements may result in a reduction in equity in that particular Joint Operation.

NOTES TO THE FINANCIAL STATEMENTS

27. PARENT INFORMATION (CONTINUED)

Exploration expenditure commitments forecast but not provided for in the financial statements are as follows:

	2023 \$000	2022 \$000
Less than one year	250	348
Between one and five years	-	-
	250	348
(b) Capital expenditure commitments		
Data licence commitments	104	584

28. CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets and liabilities as at 30 June 2023 (2022: \$0).

29. BASIS OF PREPARATION OF THE FINANCIAL REPORT

(a) Statement of compliance

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards ("AASBs"), including Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"), and the *Corporations Act 2001*.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRSs"). Material accounting policies adopted in the preparation of this financial report are presented below.

(b) Adoption of new and amended Accounting Standards

The accounting policies adopted are consistent with those of the previous financial year.

The consolidated entity has adopted all the new, revised or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(c) Basis of measurement

The financial report is prepared on a historical cost basis, except for financial assets which are measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

29. BASIS OF PREPARATION OF THE FINANCIAL REPORT (CONTINUED)

(d) Functional currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates (the "functional" currency). The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

(e) Use of estimates and judgements

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement to determine whether it is likely that future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available.

If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.

Key judgement – functional currency

The determination of the functional currency of the Company's controlled entities requires consideration of a number of factors. These factors include the currencies that primarily influence their costs and the economic environment in which the entities operate.

Key judgement – joint control

The determination of whether the Company has joint control, in relation to a joint arrangement, requires consideration of contractual arrangements. The Company must determine if there is a contractually agreed sharing of control, which only exists when decisions about the relevant activities require the unanimous consent of the parties sharing control.

(f) Rounding Off

The Company is an entity of the kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016. As a result, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report. The accounting policies have been applied consistently by all entities in the Group.

(a) Basis of consolidation

Controlled entities

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

Joint Operations

The Group's share of the assets including its share of any assets held jointly, liabilities including its share of any liabilities incurred jointly, revenue from the sale of its share of the output arising from the joint operation and share of revenue from the sale of output by the joint operation and expenses, including its share of any expenses incurred jointly, have been included in the appropriate line items of the consolidated financial statements. Details of the Group's interests are provided in Note 13.

Joint Ventures

The Group's investments in joint ventures are accounted for using the equity method. Details of the Group's interests in joint ventures are provided in Note 14.

(b) Income tax

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Tax consolidation

Carnarvon Energy Limited and its wholly-owned Australian-resident controlled entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. Carnarvon Energy Limited is the head entity of the tax-consolidated group.

(c) Property, plant and equipment

Recognition and measurement

All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of an item also includes the initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located. Such amounts are determined based on current costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Impairment

The carrying amount of property, plant and equipment is reviewed at each balance date to determine whether there are any objective indicators of impairment that may indicate the carrying values may not be recoverable in whole or in part.

Where an asset does not generate cash flows that are largely independent it is assigned to a cash generating unit and the recoverable amount test applied to the cash generating unit as a whole.

If the carrying value of the asset is determined to be in excess of its recoverable amount, the asset or cash generating unit is written down to its recoverable amount.

Depreciation

Depreciation on property, plant and equipment is calculated on a straight-line basis over expected useful life to the economic entity commencing from the time the asset is held ready for use. The major depreciation rates used for all classes of depreciable assets are:

Property, plant and equipment: 10% to 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least annually.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Exploration and evaluation

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the Group's rights of tenure to the area are current and that the costs are expected to be recouped through the successful development of the area, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Each area of interest is assessed for impairment to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Impairment testing is carried out in accordance with Note 30(e).

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation costs attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation to oil and gas assets.

The Company does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

(e) Recoverable amount of non-financial assets and impairment testing

Assets that are subject to depreciation are reviewed annually to determine whether there is any indication of impairment. Where such an indicator exists, a formal assessment of recoverable amount is then made. Where this is less than carrying amount, the asset is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects the current market assessments of the time value of money and the risks specific to the asset. Any resulting impairment loss is recognised immediately in the income statement.

For the purposes of impairment testing assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

(f) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon
- derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes other receivables.

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

Impairment of financial assets

Expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss will be recognised through an allowance. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities include trade and other payables.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Segment reporting

The Group reports one segment, oil and gas exploration, development and production, to the chief operating decision maker, being the Board of Carnarvon Energy Limited, in assessing performance and determining the allocation of resources. The segment operations and results are the same as those reported in the Group financial statements.

Unless otherwise stated, all amounts reported to the chief operating decision maker are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

From management purposes, the Group has identified only one reportable segment, being offshore exploration activities undertaken in Australia. This segment includes activities associated with the determination and assessment of the existence of commercial resources, from the Group's permits in this geographic location.

(i) Foreign currency

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates (the "functional" currency). The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at balance date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Foreign operations

The financial performance and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at balance date
- income and expenses are translated at average exchange rates for the period

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve as a separate component of equity. These differences are recognised in the income statement upon disposal of the foreign operation.

(j) Share capital

Incremental costs directly attributable to an equity transaction are shown as a deduction from equity, net of any recognised income tax benefit.

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year are determined using the projected unit credit method.

Share based payments

Share based compensation has been provided to eligible persons via the Carnarvon current Employee Share Plan ("ESIP"), by the award of performance rights. Share based compensation has also been provided under the former Employee Share Plan ("ESP"), financed by means of interest-free limited recourse loans. Under AASB 2 "*Share-based Payments*", the both ESIP and ESP shares are deemed to be equity settled, share-based remuneration.

The fair values of the performance rights granted under the ESIP are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at the grant date and recognised over the period during which the employee becomes unconditionally entitled to the performance rights.

Under the ESP, for limited recourse loans and share options issued to eligible persons, the Group is required to recognise within the income statement a remuneration expense measured at the fair value of the shares inherent in the issue to the eligible person, with a corresponding increase to a share-based payments reserve in equity. The fair value is measured at grant date and recognised when the eligible person become unconditionally entitled to the shares, effectively on grant. A loan receivable is not recognised in respect of plan shares issued.

The fair value at grant date under the Former and Current ESP is determined using pricing models that factors in the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield, and the risk free rate for the assumed term of the plan. With respect to plan shares under the Former ESP, upon repayment of the ESP loans, the balance of the share-based payments reserve relating to the loan repaid is transferred to issued capital.

(l) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares.

Basic EPS is calculated by dividing the profit attributable to equity holders of the Company by the weighted number of shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares, which comprise share options issued.

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(n) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Finance income and expenses

Interest revenue on funds invested is recognised as it accrues, using the effective interest rate method.

Finance expenses comprise interest expense on borrowings and the unwinding of the discount on provisions.

(p) Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its joint venture is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost.

The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) New Accounting Standards for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below:

Reference	Title	Summary	Impact on the Company	Application date of standard	Application date for Group
AASB 112 Amendments to Australian Accounting Standards	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.	The Company is still assessing the impact.	1 January 2023	1 July 2023
AASB 101 Amendments to Australian Accounting Standards	<i>Classification of Liabilities as Current or Non-current</i>	The amendments clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. The amendments also clarify what it means when it refers to the 'settlement' of a liability.	The Company is still assessing the impact.	1 July 2024	1 July 2024

DIRECTORS' DECLARATION

- (1) In the opinion of the directors of Carnarvon Energy Limited:
 - (a) the financial statements and notes of the Group set out on pages 48 to 91 are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year ended on that date; and
 - (ii) Complying with Accounting Standards and the Corporations Regulations 2001; and
 - (b) The financial statements and notes comply with International Financial Reporting Standards as set out in Note 30; and
 - (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (2) This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2023.

Signed in accordance with a resolution of the directors.



William A Foster

Chair

Perth, 30 August 2023

INDEPENDENT AUDIT REPORT



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Independent auditor's report to the members of Carnarvon Energy Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Carnarvon Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

INDEPENDENT AUDIT REPORT



Carrying value of exploration and evaluation assets

Why significant	How our audit addressed the key audit matter
<p>The Group held exploration and evaluation assets of \$169,382,000 as at 30 June 2023.</p> <p>The carrying value of exploration and evaluation assets is assessed for impairment by the Group when facts and circumstances indicate that the exploration and evaluation assets may exceed their recoverable amount.</p> <p>The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of judgements including whether the Group has tenure, will be able to perform ongoing expenditure and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable. The Group did not identify any impairment indicators as at 30 June 2023.</p> <p>Refer to Note 12 in the financial report for capitalised exploration and evaluation asset balances and related disclosures.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▶ We considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as license agreements. ▶ We considered the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration area which included an assessment of the Group's future cash flow forecasts and enquiries of management and the Board of Directors as to the intentions and strategy of the Group. ▶ We assessed management's assertion that activities have not yet progressed to a point that a determination of the existence of economically recoverable reserves can be made, through discussion with management, review of company announcements and review of minutes of directors' meetings. ▶ We assessed the directors' review of the carrying value of exploration and expenditure, ensuring there was consideration of the effect of potential indicators of impairment. ▶ We assessed the adequacy of the financial report disclosures contained in Note 12 of the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2023 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

INDEPENDENT AUDIT REPORT



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDIT REPORT



- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 30 to 42 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Carnarvon Energy Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

INDEPENDENT AUDIT REPORT



Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads 'Ernst + Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'T S Hammond' in a cursive style.

T S Hammond
Partner
Perth
30 August 2023

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ADDITIONAL SHAREHOLDER INFORMATION

Additional information required by the ASX Limited ("ASX") Listing Rules and not disclosed elsewhere in this report is set out below.

a) Shareholdings as at 28 August 2023

Substantial shareholders

Name of Shareholder	Number of Shares	Date of Notice
Collins St Asset Management ATF Collins St Value Fund	123,503,973	18 August 2022

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum \$500.00 parcel at \$0.145 per unit	3,448	2,116	3,480,919

Voting Rights

The voting rights attaching to Ordinary Shares are governed by the Constitution. On a show of hands every person present who is a member or representative of a member shall have one vote and on a poll, every member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. No options have any voting rights.

Twenty Largest Shareholders

Name of Shareholder	Number of Shares	% held
Sandhurst Trustees Ltd	123,503,973	6.86
J P Morgan Nominees Australia Pty Limited	118,015,270	6.56
Citicorp Nominees Pty Limited	94,658,986	5.26
HSBC Custody Nominees (Australia) Limited	46,704,880	2.59
Treasury Services Group Pty Ltd	39,082,065	2.17
BNP Paribas Nominees Pty Ltd	28,094,181	1.56
Nero Resource Fund Pty Ltd	21,242,562	1.18
National Nominees Limited	20,765,681	1.15
Treasury Services Group Pty Ltd	18,805,385	1.04
Havannah Investments Pty Ltd	16,710,037	0.93
Brixia Investments Ltd	14,244,750	0.79
BNP Paribas Noms Pty Ltd	13,454,146	0.75
47 Eton Pty Ltd	12,700,000	0.71
Kinabalu Australia Pty Ltd	12,500,000	0.69
Prettejohn Projects Pty Ltd	12,500,000	0.69
Mr Philip Paul Huizenga	11,876,196	0.66
Mr Adrian Caldwell Cook & Ms Belinda Michelle Honey	11,520,592	0.64
Pullington Investments Pty Ltd	9,752,590	0.54
Mr Edward Patrick Jacobson	9,522,482	0.53
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	9,192,550	0.51
Jacobson Geophysical Services Pty Ltd	8,754,068	0.49
	653,600,394	36.31

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ADDITIONAL SHAREHOLDER INFORMATION

Distribution of equity security holders

Size of Holding			Number of shareholders	Number of fully paid shares
1	to	1,000	622	225,293
1,001	to	5,000	2,421	7,354,402
5,001	to	10,000	1,833	15,108,432
10,001	to	100,000	5,121	204,511,232
100,001	and over		1,934	1,572,987,545
			11,931	1,800,186,904

b) Option holdings as at 30 August 2023

There are no current option holdings.

c) On-market buyback

There is no current on-market buyback.

d) Schedule of permits as at 30 August 2023 (post-divestment)

PERMIT	BASIN/COUNTRY	JOINT VENTURE PARTNERS	EQUITY %	OPERATOR	STATUS
WA-435-P, WA-437-P	Roebuck / Australia	Carnarvon OPIC Australia Pty Ltd Santos Limited	10% 10% 80%	Santos Limited	
WA-436-P, WA-438-P	Roebuck / Australia	Carnarvon OPIC Australia Pty Ltd Santos Limited	20% 10% 70%	Santos Limited	
WA-64-L	Roebuck / Australia	Carnarvon OPIC Australia Pty Ltd Santos Limited	10% 10% 80%	Santos Limited	
WA-155-P	Carnarvon / Australia	Carnarvon	100%	Carnarvon	Divested - Awaiting transfer confirmation
EP509	Carnarvon / Australia	Carnarvon	100%	Carnarvon	
TP29	Carnarvon / Australia	Carnarvon	100%	Carnarvon	

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