

**CARNARVON ENERGY LIMITED
ABN 60 002 688 851
AND CONTROLLED ENTITIES**

**INTERIM FINANCIAL REPORT
31 DECEMBER 2023**

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CORPORATE DIRECTORY

Directors

WA Foster (Chairman)
SG Ryan (Non-Executive Director)
RJ Delroy (Non-Executive Director)
WS Barker (Non-Executive Director)

Company Secretary

A Doering
GR Sproule

Auditors

Ernst & Young

Bankers

Australia and New Zealand Banking Group Limited
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Share Registry

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Stock Exchange Listing

Securities of Carnarvon Energy Limited are listed on the Australian Securities Exchange.
ASX Code: CVN - Ordinary shares

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DIRECTORS' REPORT

The directors present their report together with the consolidated interim financial report for the half-year ended 31 December 2023, and the independent review report thereon.

Directors

The directors of the Company in office at any time during or since the end of the half-year are as follows. Directors were in office for this entire period unless otherwise stated.

William (Bill) Foster
Stephen (Gavin) Ryan
Adrian Cook – Resigned 15 December 2023
Debra Bakker – Resigned 15 December 2023
Peter Moore – Resigned 17 November 2023
Russell Delroy – Appointed 15 December 2023
William (Will) Barker – Appointed 15 December 2023

Review of Operations

The Group's operations comprise of oil and gas exploration and development projects in Western Australia, with the Group's main interests located in the Bedout Sub-basin of the North-West Shelf, Western Australia.

Dorado field – Development Asset

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

The Dorado Phase 1 liquids development assumes production from a fixed wellhead platform (WHP) connected to a Floating Production, Storage and Offtake (FPSO) vessel handling oil and condensate stabilisation, storage and offloading, water treatment for disposal, gas dehydration, gas compression and reinjection. During Phase 1 development, the gas is injected back into the reservoir to enhance the oil and condensate production. Flexibility is retained for further infill drilling to optimise recovery of the field.

The Dorado Phase 2 gas development will be optimised based on the extent and location of discovered resources in the Bedout Sub-basin at the time of development of those resources.

During the period, the Dorado Joint Venture continued work to progress the project which is targeted to be Final Investment Decision (FID)-ready in 2024. The work involved a particular focus on the future integration of the nearby Pavo resource into the future Dorado facilities and opportunities to reduce the overall development cost and time to first oil.

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

Pavo field – 2022 Discovery

The Pavo field is a discovered resource of 43 million barrels (2C, gross) of oil (refer to ASX announcement on 2 May 2022), which is located 46km from the proposed Dorado facilities. This highly valuable resource is intended to be integrated via tie-back to the proposed Dorado FPSO with very little increase to the expected low unit operating costs.

During the period, the Bedout Joint Venture finalised the Pavo Assess Phase Study to determine the preferred development route and production rate for the Pavo Field and to ensure that any modifications to the previously completed design for the Dorado FPSO, topsides and WHP are understood to allow for optimal tie-back. The Study included post-well (Pavo-1) evaluations, Pavo subsurface modelling, and Assess phase development concept engineering studies and cost estimating.

The expectation is for the Pavo field to come online post start-up of the Dorado field, pending available ullage and approvals, which will assist in maintaining maximum fluid throughput by sustaining the production plateau, thus continuing to achieve the lowest quartile operational costs per barrel.

Bedout Divestment

In August 2023, Carnarvon completed the divestment of a portion of its Bedout equity to OPIC Australia Pty Limited, a wholly owned subsidiary of CPC Corporation Taiwan (CPC), Taiwan's national oil company.

The partial divestment to CPC included the transfer of 10% equity across the Bedout Exploration Permits (WA435,6,7 & 8-P) and the Dorado Production Licence (WA-64-L), which leaves Carnarvon with 10% equity in the Dorado Production Licence and a 10-20% interest in the Bedout Exploration Permits.

Under the sale agreement, Carnarvon received an adjusted upfront payment of US\$58 million and a further US\$90 million carry towards its share of the future Dorado development costs once FID is taken.

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

Bedout Exploration (WA435,6,7 & 8-P)

The Bedout Sub-basin, offshore Western Australia, is one of the most exciting exploration plays in the country, which has already delivered the world class Dorado, Pavo and Roc discoveries.

The Joint Venture's exploration strategy of the basin has the potential to unlock substantial additional resources, with unrisks prospective resource estimates of 9 Tcf of gas and 1.6 billion barrels of liquids (Pmean, gross*) (refer to ASX announcement on 1 September 2023).

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

Recent studies have concentrated in the northern two Bedout permits (WA-435-P and WA-436-P) due to their ability to enhance the value for the planned Phase 2 gas export development, with the Ara and Wendolene clusters being primarily gas weighted. The more liquid-weighted Starbuck cluster has significantly benefited from the recent Keraudren Extension Full Integrity 3D seismic data. This allows the Joint Venture to de-risk many prospects that have previously not benefited from 3D seismic data imaging. As a reminder, exploration drilling based on modern 3D seismic data in the Bedout Sub-basin has resulted in a 67% success rate.

Plans for further exploration drilling in the Bedout Exploration Permits continue. The Joint Venture is seeking to secure a rig to drill near-field prospects to increase the future resource base and infill for the Dorado facilities and is also reviewing potential gas exploration targets to underpin the eventual Phase 2 gas development.

Other Exploration Permits

During the period, the regulator accepted the Company's request to relinquish the AC/P62 and AC/P63 Exploration Permits.

The Company also agreed to terminate the sale agreement in relation to the divestment of Exploration Permit WA-155-P (WA-155-P) to Skye Resources Pty Ltd. The Company subsequently applied to surrender WA-155-P with the application still being reviewed by the regulator as at 31 December 2023.

The Company continues to refine its exploration portfolio as it focuses its exploration activities within the highly prospective and proven Bedout Sub-basin.

Financial Review

The Group's loss after tax from continuing operations for the half year ended 31 December 2023 was \$4,015,000 (2022: \$3,495,000).

Carnarvon's balance sheet remains strong with cash and cash equivalents of \$176,010,000 (30 June 2023: \$95,301,000), with no debt.

The Company received \$4,168,000 in interest from bank deposits during the period (2022: \$1,176,000).

The Company also capitalised \$1,202,000 (30 June 2023: \$12,119,000) in exploration and appraisal expenditure during the period. These costs were primarily related to the Dorado FEED activities, studies on the potential integration of the Pavo resource into the future Dorado facilities and maturation of the Company's Bedout exploration permits.

The Company's administrative and head office costs during the period were \$1,126,000 (2022: \$1,543,000). Employee benefits of \$1,752,000 (2022: \$1,803,000) were incurred during the period, which includes termination payments in December 2023.

The Company's new venture and advisory costs for the half year were \$1,029,000 (2022: \$810,000), which included advisory costs relating to the partial divestment of the Bedout permits in August 2023.

The Company recognised an impairment of \$1,296,000 during the period in relation to the Company's biofuels joint venture with FutureEnergy Australia (FEA) (Refer to note 10).

An unrealised loss on foreign exchange movements of \$2,860,000 (2022: Gain of \$373,000) was recognised due to the appreciation of the AUD against the Company's USD cash and financial assets. The Company continues to prudently manages its cash balance through term deposits and by holding a balance of funds between AUD and USD to ensure the Company maintains a natural hedge for future expected expenditures in each currency.

Subsequent events

No matter or circumstance has arisen since 31 December 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

Rounding of amounts

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 these interim financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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Auditors' Independence Declaration

The lead auditors' Independence Declaration, as required under section 307C of the Corporations Act 2001, is set out on page 8 and forms part of this directors' report for the half-year ended 31 December 2023.

Signed in accordance with a resolution of the directors.



W Foster
Director
Perth
28 February 2024

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**Building a better
working world**

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Auditor's independence declaration to the directors of Carnarvon Energy Limited

As lead auditor for the review of the half-year financial report of Carnarvon Energy Limited for the half-year ended 31 December 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 review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

T S Hammond
Partner
28 February 2024

CARNARVON ENERGY LIMITED
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CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Note	Half-year 31 December 2023 \$000	Half-year 31 December 2022 \$000
Other income	5	4,168	1,176
Movement in fair value of financial assets	7	-	23
Administrative expenses		(1,126)	(1,543)
Employee benefits expense		(1,752)	(1,803)
Directors' fees		(253)	(254)
New venture and advisory expenditure		(1,029)	(810)
Unrealised foreign exchange (loss)/gain		(2,860)	373
Share of profit/(loss) on Joint venture	10	133	(657)
Impairment of investment in joint venture	10	(1,296)	-
Loss before tax from continuing operations		(4,015)	(3,495)
Income tax expense		-	-
Net loss after tax from continuing operations		(4,015)	(3,495)
Net loss for the period attributable to members of the entity		(4,015)	(3,495)
Loss per share:			
Basic, loss per share for the period attributable to members of the entity (cents per share)		(0.22)	(0.19)
Diluted, loss per share for the period attributable to members of the entity (cents per share)		(0.22)	(0.19)

The consolidated income statement should be read in conjunction with the notes to the consolidated interim financial report.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Half-year 31 December 2023 \$000	Half-year 31 December 2022 \$000
Net loss for the period	<u>(4,015)</u>	<u>(3,495)</u>
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Exchange differences arising on translation of foreign operations	-	(21)
Total other comprehensive loss net of tax	<u>(4,015)</u>	<u>(3,516)</u>
Total comprehensive loss for the period attributable to members of the entity	<u>(4,015)</u>	<u>(3,516)</u>

The consolidated statement of comprehensive income should be read in conjunction with the notes to the consolidated interim financial report.

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CARNARVON ENERGY LIMITED
31 DECEMBER 2023 INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	31 December 2023 \$000	30 June 2023 \$000
Current assets			
Cash and cash equivalents		176,010	95,301
Trade and other receivables	6	2,303	1,070
Other assets		370	642
Total current assets		<u>178,683</u>	<u>97,013</u>
Non-current assets			
Property, plant and equipment		17	37
Financial assets	7	196	667
Exploration and evaluation expenditure	8	84,212	169,382
Right-of-use assets		85	186
Intangible Assets	11	616	-
Investment in joint ventures	10	124	1,287
Total non-current assets		<u>85,250</u>	<u>171,559</u>
Total assets		<u>263,933</u>	<u>268,572</u>
Current liabilities			
Trade and other payables		1,104	1,187
Employee benefits		348	663
Lease liabilities		101	220
Total current liabilities		<u>1,553</u>	<u>2,070</u>
Non-current liabilities			
Employee benefits		59	147
Total non-current liabilities		<u>59</u>	<u>147</u>
Total liabilities		<u>1,612</u>	<u>2,217</u>
Net assets		<u>262,321</u>	<u>266,355</u>
Equity			
Issued capital		314,134	314,176
Reserves		1,427	1,404
Accumulated losses		(53,240)	(49,225)
Total equity		<u>262,321</u>	<u>266,355</u>

The consolidated statement of financial position should be read in conjunction with the notes to the consolidated interim financial report.

CARNARVON ENERGY LIMITED
31 DECEMBER 2023 INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Issued capital \$000	Reserve shares \$000	Accumulated losses \$000	Translation reserve \$000	Share based payments reserve \$000	Total \$000
Balance at 1 July 2022	314,096	(6,875)	(45,129)	152	7,734	269,978
Comprehensive loss for the period	-	-	(3,495)	(21)	-	(3,516)
Total comprehensive loss for the half year	-	-	(3,495)	(21)	-	(3,516)
Transactions with owners and other transfers						
Share based payments	-	-	-	-	307	307
Exercise of ESP shares	80	97	-	-	-	177
Performance rights settled in cash	-	-	-	-	(185)	(185)
Total transactions with owners and other transfers	80	97	-	-	122	299
Balance at 31 December 2022	314,176	(6,778)	(48,624)	131	7,856	266,761
Balance at 1 July 2023	314,176	(6,778)	(49,225)	130	8,052	266,355
Comprehensive loss for the period	-	-	(4,015)	-	-	(4,015)
Total comprehensive loss for the half year	-	-	(4,015)	-	-	(4,015)
Transactions with owners and other transfers						
Share based payments	-	-	-	-	(322)	(322)
Exercise of ESP shares	342	345	-	-	-	687
Minimum holding buy-back	(384)	-	-	-	-	(384)
Total transactions with owners and other transfers	(42)	345	-	-	(322)	(19)
Balance at 31 December 2023	314,134	(6,433)	(53,240)	130	7,730	262,321

The consolidated statement of changes in equity should be read in conjunction with the notes to the consolidated interim financial report.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Note	Half-year 31 December 2023 \$000	Half-year 31 December 2022 \$000
Cash flows from operating activities			
Payments to suppliers and employees		(4,290)	(6,153)
Interest received		3,107	1,088
R&D refund		245	-
Net cash flows used in operating activities		<u>(938)</u>	<u>(5,065)</u>
Cash flows from investing activities			
Exploration and evaluation expenditure		(1,403)	(9,791)
Acquisition of property, plant and equipment		-	(5)
Intangible Assets		(646)	(21)
Proceeds from sale of exploration and evaluation assets	8	86,372	-
Net cash flows used in investing activities		<u>84,323</u>	<u>(9,817)</u>
Cash flows from financing activities			
Proceeds from repayment of ESP loans		687	177
Minimum holding share buy-back		(384)	-
Payment of principal portion of lease		(119)	(109)
Net cash provided by financing activities		<u>184</u>	<u>68</u>
Net decrease in cash and cash equivalents		83,569	(14,814)
Cash and cash equivalents at beginning of the half-year		95,301	112,424
Effects of exchange rate fluctuations on cash and cash equivalents		(2,860)	294
Cash and cash equivalents at end of the half-year		<u>176,010</u>	<u>97,904</u>

The consolidated statement of cash flows should be read in conjunction with the notes to the consolidated interim financial report.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Carnarvon Energy Limited (“Carnarvon”) is a company domiciled in Australia.

The consolidated interim financial report as at and for the six months ended 31 December 2023 comprises the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in jointly controlled assets.

The 31 December 2023 interim financial statements were authorised for issue by the board of directors on 28 February 2024.

2. Basis of preparation

Statement of compliance

The half-year financial report is a condensed general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made during the half year.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for financial assets which are measured at fair value. All amounts are presented in Australian dollars, unless otherwise noted.

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 this interim financial report and directors’ report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. New and amended accounting standards and interpretations

No new or amended standards became applicable for the current reporting period that had an impact on the Group.

4. Contingent assets and liabilities

There were no contingent assets or liabilities as at 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other income

	31 December 2023 \$000	31 December 2021 \$000
Finance income on bank deposits	3,923	1,176
R&D refund	245	-
	<u>4,168</u>	<u>1,176</u>

6. Trade and other receivables

	31 December 2023 \$000	30 June 2023 \$000
Other receivables	808	391
Accrued interest	1,277	461
Cash held as security	218	218
Balance at end of financial period	<u>2,303</u>	<u>1,070</u>

7. Financial assets

	31 December 2023 \$000	30 June 2023 \$000
Financial assets at FVTPL (a)	<u>196</u>	<u>667</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current financial period are set out below:

Carrying value at the beginning of period	501	491
Gain on remeasurement of fair value assets	-	32
Disposal of financial assets	<u>(501)</u>	<u>(22)</u>
Carrying value at the end of period (b)	-	501
Other financial assets	<u>196</u>	<u>166</u>
Carrying value at the end of the period	<u>196</u>	<u>667</u>

- a) 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.
- b) As at 30 June 2023, Carnarvon held 225,441,900 shares in CapAllianz. All the shares were disposed of during the current period through on-market disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Exploration and evaluation expenditure

	31 December 2023 \$000	30 June 2023 \$000
Carrying value at the beginning of period	169,382	157,263
Additions	1,202	12,119
Divestment	(86,372)	-
Carrying value at the end of period	<u>84,212</u>	<u>169,382</u>

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.

Divestment

On 21 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.

The divestment was completed on 15 August 2023 upon all conditions associated with the transaction, being satisfied. Under the agreement, the Company will receive total cash consideration of up to US\$148,072,097 from the divestment. This comprises an upfront back costs payment of US\$58,072,097 on completion of the transaction (received 15 August 2023), and a further carry of US\$90,000,000 of forward capital expenditure in the Bedout permits once a Final Investment Decision (FID) is taken on the Dorado development.

The carry of US\$90,000,000 has not been recognised as at 31 December 2023, in line with the Company's accounting policy.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Equity securities issued

Employee share incentive plan

The following table illustrates the balance and valuation of performance rights using the Monte Carlo Simulation Model as at 31 December 2023:

Instrument	Held at 1 July 2023	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	Weighted Fair value at grant date	Held at 31 December 2023 (unvested)
PR - LTIP	2,131,092	0.26	01/07/2021	3	-	50%	0.1%	-	-	350,000	-	0.19	1,781,092
PR - LTIP	2,179,724	0.33	12/11/2021	3	-	50%	0.1%	-	-	2,179,724	-	0.24	-
PR - LTIP	3,478,194	0.19	01/07/2022	3	-	64%	0.85%	-	-	730,900	-	0.12	2,747,294
PR - LTIP	53,106	0.16	05/10/2022	3	-	64%	2.6%	-	-	-	-	0.10	53,106
PR - LTIP	2,893,092	0.15	18/11/2022	3	-	64%	2.9%	-	-	2,893,092	-	0.10	-
PR - LTIP	-	0.13	01/07/2023	3	-	63%	4.1%	-	6,868,468	1,000,000	-	0.10	5,868,468
PR - LTIP	-	0.18	17/11/2023	3	-	63%	4.4%	-	4,556,620	4,556,620	-	0.14	-
Total	10,735,208								11,425,088	11,710,336	-		10,449,960

Under the terms of the Employee Share Incentive Plan (Plan) which was last approved by shareholders of the Company on 17 November 2023, 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 LTIP are granted for a 3-year period. The vesting conditions 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.

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

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 LTIP performance rights.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Equity securities issued (continued)

Director share incentive plan

On 15 December 2023, the company issued 1,000,000 performance rights to newly appointed non-executive directors Russell Delroy and William Barker. The following table illustrates the balance and valuation of performance rights using the Monte Carlo Simulation Model as at 31 December 2023:

Instrument	Held at 1 July 2023	Share price at grant date	Date granted	Vesting period (years)	Exercise price	Share price volatility	Risk free rate	Dividend yield	Rights granted	Rights Vested	Fair value at grant date	Held at 31 December 2023 (unvested)
PR - Russell Delroy	-	0.18	15/12/2023	5	-	58%	4.4%	-	1,000,000	-	0.15	1,000,000
PR - William Barker	-	0.18	15/12/2023	5	-	58%	4.4%	-	1,000,000	-	0.15	1,000,000
	-								2,000,000	-		2,000,000

Mr. Delroy and Mr. Barker are entitled to one Carnarvon share for every performance right and the rights do not lapse if the director were to resign or retire.

Vesting conditions include:

- the 20-day volume weighted average price (VWAP) of Carnarvon shares exceeding \$0.30 per share; or
- a 'Change in Control' event, such as where:
 - Carnarvon announces that its shareholders at a Court convened meeting of shareholders voted in favour of a scheme of arrangement and the Court, by order, approves the scheme of arrangement;
 - a takeover bid is announced, has become unconditional and the person making the takeover bid holds more than 50% of Carnarvon shares;
 - any person acquires a relevant interest in 50.1% or more Carnarvon shares by any other means; or
 - Carnarvon announces that a sale or transfer of the whole or substantially the whole of the undertaking and business of Carnarvon has been completed.

Employee share plan

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in plan shares for the six-month period to 31 December 2023 and for the year to 30 June 2023:

	Number December 2023	WAEP December 2023	Number June 2023	WAEP June 2023
Outstanding at beginning of period/year	40,790,892	0.31	42,062,668	0.30
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	5,894,917	0.12	1,271,776	0.13
Expired during the year	-	-	-	-
Outstanding at end of period/year	34,895,975	0.34	40,790,892	0.31
Exercisable at end of period/year	34,895,975	0.34	40,790,892	0.31

Shares granted under the previous Employee Share Plan ("ESP") are accounted for as "in-substance" options due to the limited recourse nature of the loan between the employees and the Company to finance the purchase of ordinary shares. There were no ESP shares issued during the period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Investment in Joint ventures

1) Investment in FutureEnergy

In July 2021, Carnarvon formed a Joint Venture with Frontier Impact Group (“FIG”) 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 21 October 2021 to fund the FEED activities to enable a final investment decision for the project.

The Group’s interest in FutureEnergy is accounted for as a joint venture under AASB 11: *Joint arrangements* and is required to use the equity method in the consolidated financial statements.

The Company performed an impairment assessment at 31 December 2023, and concluded that at this stage the preferred technology has not matured to a level required to allow the Company to recover its initial investment. The Company has therefore recognised an impairment of \$1,296,000 in the statement of profit or loss.

Summarised financial information of the Joint Venture, based on its AASB financial statements, are set out below:

	31 December 2023 \$000	30 June 2023 \$000
Investment in Joint Venture	1,287	2,079
Profit/(loss) for the period	133	(792)
Impairment of investment in joint venture	(1,296)	-
Investment in joint venture	124	1,287

Summarised statement of financial position of FEA at 31 December 2023:

	31 December 2023 \$000	30 June 2023 \$000
Current assets		
Cash and cash equivalents	248	34
Non-current Assets	-	2,592
Current liabilities		
Trade and other payables	-	52
Equity	248	2,574
Group’s share in equity (50%)	124	1,287
Group’s carrying amount of the investment	124	1,287

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Investment in Joint ventures (continued)

Summarised statement of profit or loss of FEA for the period to 31 December 2023:

	31 December 2023 \$000	30 June 2023 \$000
Other income	444	409
Administrative expenses	(140)	(1,576)
Employee benefits	(38)	(417)
Loss for the period	266	(1,584)
Group's share of profit/(loss) for the period (50%)	133	(792)

11. Intangible assets

During the period, the Company acquired 20,240 Australian Carbon Credit Units (ACCUs) on market, which will be utilised to offset the company's head office and future Dorado facilities emissions.

The ACCUs have been accounted for as an intangible asset under AASB 138: *Intangible Assets*.

	31 December 2023 \$000	30 June 2023 \$000
Intangible Assets	616	-

Recoverability

The recoverability of the carrying amount of the intangible assets is based on the future economic benefits expected to flow to the entity through either successfully selling the ACCUs or utilising them to offset the company's head office and future Dorado facilities emissions.

12. Subsequent events

No matter or circumstance has arisen since 31 December 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' DECLARATION

The directors of the Carnarvon Energy Limited (the "Company") declare that:

1. The financial statements and notes, as set out on pages 9 to 20 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



W Foster
Director

Perth
28 February 2024

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working world**

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

Conclusion

We have reviewed the accompanying half-year financial report of Carnarvon Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

T S Hammond
Partner
Perth
28 February 2024

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ADDITIONAL SHAREHOLDER INFORMATION

Details of associates and Joint Venture assets

<i>Permits & Licences</i>	<i>Principal activities</i>	<i>31 December 2023 Ownership interest %</i>	<i>30 June 2023 Ownership interest %</i>
<i>Western Australia</i>			
WA-435-P, WA-437-P, Roebuck Basin	Exploration for hydrocarbons	10%*	20%
WA-436-P, WA 438-P, Roebuck Basin	Exploration for hydrocarbons	20%*	30%
WA-64-L, Roebuck Basin	Exploration for hydrocarbons	10%*	20%
WA-155-P(1), Barrow Basin	Relinquishment	100%	100%
AC/P62, Bonaparte Basin	Relinquished	-	100%
AC/P63, Bonaparte Basin	Relinquished	-	100%
EP509, Carnarvon	Exploration for hydrocarbons	100%	100%
TP29, Carnarvon	Exploration for hydrocarbons	100%	100%

*Ownership interest reduced during the period due to the completion of the 10% divestment to CPC Corporation, Taiwan, Taiwan's national oil and gas company.

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