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

**INTERIM FINANCIAL REPORT  
31 December 2022**

**CORPORATE DIRECTORY**

**Directors**

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

**Company Secretary**

A Doering  
G Sproule

**Auditors**

Ernst & Young

**Bankers**

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

**Registered Office**

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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 2022, 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  
Adrian Cook  
Peter Moore  
Stephen (Gavin) Ryan  
Debra Bakker

### **Review of Operations**

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

#### **Dorado field – Development Asset**

The Dorado field development continues to make good progress with Front-End Engineering and Design (FEED) now substantially complete, and key regulatory approvals and contracting activities for the Floating Production Storage and Offtake (FPSO) vessel and Wellhead Platform (WHP) further advanced.

The Final Investment Decision (FID) on the Dorado field development, scheduled to be taken in 2022, was deferred until 2023/24. The Joint Venture took the prudent approach to delay the sanction of the project due to the inflationary cost environment and supply chain uncertainties.

In 2022 the Joint Venture successfully secured the Production Licence for the Dorado project. In February 2023 the Joint Venture received approval for the Offshore Project Proposal (OPP) by the National Offshore Petroleum Safety & Management Authority, an important regulatory approval required to support the sanctioning of the Dorado Phase 1 liquids development.

The Company also continues to progress several funding options for its share of the Dorado field development. There has been substantial interest received from financiers, which will be progressed further as the project moves towards sanction. On 22 February 2023, the Company announced it has entered into an agreement to divest 10% of its project equity in its Bedout Sub-basin assets to CPC Corporation, Taiwan. This divestment is for total cash consideration of US\$146m, comprising an upfront payment of US\$56m and a carry of US\$90m on forward expenditure in these permits. 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.

Once developed, the Dorado production facility is targeting an initial daily gross oil production rate of between 75,000 and 100,000 barrels, which makes it a world class asset capable of providing significant returns for shareholders.

#### **Pavo field – 2022 Discovery**

Following the Pavo-1 discovery in March 2022, the Joint Venture has commenced pre-development work on the Pavo resource.

The Pavo-1 well discovered 43 million barrels (2C, gross) (refer to ASX announcement on 2 May 2022) of oil which is currently being recognized as a contingent resource. This highly valuable resource is intended to be tied back to the proposed Dorado FPSO with very little increase to the already expected low unit operating costs.

During the period, preliminary studies indicated that the Pavo fluids are compatible with the proposed Dorado processing equipment and are similar to the Dorado fluids. These results highlight the excellent opportunity to incorporate the fluids from the Pavo field into the proposed Dorado FPSO, and process and store them along with the Dorado fluids, realising additional value from the proposed Dorado development.

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, and thus continuing to achieve lowest quartile operational costs per barrel.

### **Bedout Exploration**

During the period, the Bedout Joint Venture continued its exploration work across the prolific Bedout Sub-basin, which to date contains the Dorado, Pavo and Roc discoveries.

The recent Pavo-1 discovery, in particular, has led the Joint Venture to re-assess the top prospects within each of the Bedout exploration permits, comprising both gas and liquids focused targets.

The Joint Venture has so far identified more than 100 prospects covering a broad range of play styles. The top 20 of these prospects alone are estimated to contain an aggregate of 1.5 billion barrels of oil equivalent on a (gross unrisks, Pmean basis) (refer to ASX announcement on 4 October 2022). Carnarvon's interest in these resources is close to 400 million barrels of oil equivalent (unrisks, Pmean, pre-divestment basis). On top of these already identified prospects, interesting new prospects have emerged from the Archer 3D seismic data, in an area located around 20km from the proposed Dorado field development.

The Joint Venture's focus is to high grade the preferred prospects to include in future exploration drilling campaigns, which is more than simply pursuing the largest targets. As anticipated for the Pavo-1 discovery, the planned production facilities at the Dorado field provide strategic infrastructure for tying in nearby oil and condensate discoveries, which have the potential to deliver substantial returns given development of these resources will utilise existing infrastructure.

In addition, the low CO<sub>2</sub> gas resources discovered in the Dorado and Roc fields, provide significant further value potential. Opportunities to accelerate the production of these gas resources is also an important factor in the Joint Venture's development plans, as well as potentially targeting additional gas discoveries.

### **Biorefinery Venture**

The Company's biofuels project continues to progress and provides important balance to its portfolio as the world undertakes a progressive energy transition.

Carnarvon is focused on investment in transition fuels that are strategically linked with and produce products that are currently selling at premiums to their equivalent oil related products. These include products such as renewable diesel and sustainable aviation fuel. The growing market for these products presents a very strong investment opportunity and one in which Carnarvon has already positioned itself with its focus on technology led solutions.

During the period, the Company advanced its first renewable diesel project in the Shire of Narrogin as part of its biofuels joint venture, FutureEnergy Australia (FEA).

Technip Energies are in the final stages of completing the engineering and design feasibility study for the Narrogin biorefinery project, which is an important step towards sanctioning the project.

FEA has also submitted its Development Application (DA) to the Shire of Narrogin to commence its review, community consultation process and referral to the Joint Development Assessment Panel. In addition, referral to the Environmental Protection Authority (EPA) was made for the construction and operation of the biorefinery. It is anticipated that EPA and DA approval will be achieved in the second quarter of 2023.

### **Other Exploration Permits**

During the period, the regulator accepted the Company's request to surrender the WA-521-P and WA-523-P exploration permits.

Carnarvon does not consider the prospects within these permits to be core exploration targets as the Company focuses its exploration efforts within the Bedout Sub-basin.

### **Financial Review**

The Group's loss after tax from continuing operations for the half year ended 31 December 2022 was \$3,495,000 (2021: \$43,819,000).

Carnarvon's balance sheet remains strong with cash and cash equivalents of \$97,904,000 (30 June 2022: \$112,424,000), with no debt and minimal commitments going forward.

The Company capitalised an additional \$9,791,000 (30 June 2022: \$38,487,000) in exploration and appraisal expenditure during the period. 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 Company recognised its 50% share of the loss of \$657,000 (30 June 2022: \$513,000) incurred by the FEA biofuels Joint Venture during the period as the Joint Venture continued Front-End Engineering and Design (FEED) works for its first biorefinery in Narrogin.

The Company's administrative and head office costs during the period were \$1,543,000 (2021: \$1,159,000) which includes expenses relating to the financing process for the Dorado field development. Employee benefits of \$1,803,000 (2021: \$1,070,000) were incurred during the period which includes the recognition of grants under the new performance rights scheme.

There was also an unrealised gain on foreign exchange movements of \$373,000 (2021: \$463,000) due to the depreciation of the AUD against the Company's USD cash and financial assets. The Company manages its cash position in US Dollars and Australian Dollars to naturally hedge its foreign exchange exposures. The Company also received \$1,176,000 in interest from bank deposits during the period (2021: \$245,000).

### **Subsequent events**

On 1 February 2023, the Company applied to surrender the AC/P63 exploration permit, and the application is being considered by the regulator.

On 22 February 2023, the Company announced it has entered into an agreement to divest 10% of its project equity in its Bedout Sub-basin assets (WA-64-L, WA-435-P, WA-436-P, WA-437-P and WA-438-P) to CPC Corporation, Taiwan. This divestment is for total cash consideration of US\$146m, comprising an upfront payment of US\$56m and a carry of US\$90m on forward expenditure in these permits. This transaction is targeting completion by June 2023.

Other than the above, no matter or circumstance has arisen since 31 December 2022 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.

**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 2022.

Signed in accordance with a resolution of the directors.



**W Foster**  
**Director**  
Perth  
28 February 2023

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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 2022, 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.

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

Ernst & Young

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

T S Hammond  
Partner  
28 February 2023

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**CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF YEAR ENDED 31 December 2022**

	Note	Half-year 31 December 2022 \$000	Half-year 31 December 2021 \$000
Other income	5	1,176	237
Unrealised foreign exchange gain/(loss)		373	463
Administrative expenses		(1,543)	(1,159)
Employee benefits expense		(1,803)	(1,070)
Directors' fees		(254)	(233)
New venture and advisory expenditure		(810)	(802)
Exploration expenditure written off	7	-	(8,968)
Movement in fair value of financial assets	6	23	(607)
Share of loss on Joint ventures	9	(657)	(23,821)
Investment in Joint Venture written off	9	-	(7,833)
Loss on sale of other financial assets	6	-	(26)
<b>Loss before tax from continuing operations</b>		<b>(3,495)</b>	<b>(43,819)</b>
Income tax expense		-	-
<b>Net loss after tax from continuing operations</b>		<b>(3,495)</b>	<b>(43,819)</b>
<b>Net loss for the period attributable to members of the entity</b>		<b>(3,495)</b>	<b>(43,819)</b>
<b>Loss per share:</b>			
Basic, loss per share for the period attributable to members of the entity (cents per share)		(0.19)	(2.80)
Diluted, loss per share for the period attributable to members of the entity (cents per share)		(0.19)	(2.80)

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 December 2022**

	Half-year 31 December 2022 \$000	Half-year 31 December 2021 \$000
<b>Net loss for the period</b>	<u>(3,495)</u>	<u>(43,819)</u>
<b>Other comprehensive income</b> <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)	-
<b>Total other comprehensive loss net of tax</b>	<u>(3,516)</u>	<u>(43,819)</u>
<b>Total comprehensive loss for the period attributable to members of the entity</b>	<u>(3,516)</u>	<u>(43,819)</u>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 December 2022**

		<b>31 December</b>	<b>30 June</b>
		<b>2022</b>	<b>2022</b>
	<b>Notes</b>	<b>\$000</b>	<b>\$000</b>
<b>Current assets</b>			
Cash and cash equivalents		97,904	112,424
Trade and other receivables		597	674
Financial assets	6	86	-
Other assets		437	184
<b>Total current assets</b>		<b>99,024</b>	<b>113,282</b>
<b>Non-current assets</b>			
Property, plant and equipment		58	80
Financial assets	6	514	557
Exploration and evaluation expenditure	7	167,054	157,263
Right-of-use assets		288	390
Investment in joint ventures	9	1,422	2,079
<b>Total non-current assets</b>		<b>169,336</b>	<b>160,369</b>
<b>Total assets</b>		<b>268,360</b>	<b>273,651</b>
<b>Current liabilities</b>			
Trade and other payables		311	2,531
Employee benefits		843	569
Lease liabilities		231	221
<b>Total current liabilities</b>		<b>1,385</b>	<b>3,321</b>
<b>Non-current liabilities</b>			
Employee benefits		113	132
Lease liabilities		101	220
<b>Total non-current liabilities</b>		<b>214</b>	<b>352</b>
<b>Total liabilities</b>		<b>1,599</b>	<b>3,673</b>
<b>Net assets</b>		<b>266,761</b>	<b>269,978</b>
<b>Equity</b>			
Issued capital		314,176	314,096
Reserves		1,209	1,011
Accumulated losses		(48,624)	(45,129)
<b>Total equity</b>		<b>266,761</b>	<b>269,978</b>

*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 2022 INTERIM FINANCIAL REPORT**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 December 2022**

	Issued capital \$000	Reserve shares \$000	Accumulated losses \$000	Translation reserve \$000	Share based payments reserve \$000	Total \$000
<b>Balance at 1 July 2021</b>	<b>246,268</b>	<b>(7,638)</b>	<b>8,624</b>	<b>152</b>	<b>7,108</b>	<b>254,514</b>
Comprehensive loss for the period	-	-	(43,819)	-	-	(43,819)
<b>Total comprehensive loss for the half year</b>	<b>-</b>	<b>-</b>	<b>(43,819)</b>	<b>-</b>	<b>-</b>	<b>(43,819)</b>
<b>Transactions with owners and other transfers</b>						
Share based payments	-	-	-	-	313	313
Exercise of ESP shares	458	539	-	-	-	997
<b>Total transactions with owners and other transfers</b>	<b>458</b>	<b>539</b>	<b>-</b>	<b>-</b>	<b>313</b>	<b>1,310</b>
<b>Balance at 31 December 2021</b>	<b>246,726</b>	<b>(7,099)</b>	<b>(35,195)</b>	<b>152</b>	<b>7,421</b>	<b>212,005</b>
<b>Balance at 1 July 2022</b>	<b>314,096</b>	<b>(6,875)</b>	<b>(45,129)</b>	<b>152</b>	<b>7,734</b>	<b>269,978</b>
Comprehensive loss for the period	-	-	(3,495)	(21)	-	(3,516)
<b>Total comprehensive loss for the half year</b>	<b>-</b>	<b>-</b>	<b>(3,495)</b>	<b>(21)</b>	<b>-</b>	<b>(3,516)</b>
<b>Transactions with owners and other transfers</b>						
Share based payments	-	-	-	-	307	307
Exercise of ESP shares	80	97	-	-	-	177
Performance rights settled in cash	-	-	-	-	(185)	(185)
<b>Total transactions with owners and other transfers</b>	<b>80</b>	<b>97</b>	<b>-</b>	<b>-</b>	<b>122</b>	<b>299</b>
<b>Balance at 31 December 2022</b>	<b>314,176</b>	<b>(6,778)</b>	<b>(48,624)</b>	<b>131</b>	<b>7,856</b>	<b>266,761</b>

*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 2022

	Half-year 31 December 2022 \$000	Half-year 31 December 2021 \$000
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(6,153)	(3,838)
Interest received	1,088	238
<b>Net cash flows used in operating activities</b>	<u>(5,065)</u>	<u>(3,600)</u>
<b>Cash flows from investing activities</b>		
Exploration and evaluation expenditure	(9,791)	(13,794)
Acquisition of property, plant and equipment	(5)	(18)
Investment in joint ventures	-	(5,089)
Other Financial Assets	(21)	-
<b>Net cash flows used in investing activities</b>	<u>(9,817)</u>	<u>(18,901)</u>
<b>Cash flows from financing activities</b>		
Proceeds from repayment of ESP loans	177	997
Payment of principal portion of lease	(109)	(113)
<b>Net cash provided by financing activities</b>	<u>68</u>	<u>884</u>
<b>Net decrease in cash and cash equivalents</b>	(14,814)	(21,617)
Cash and cash equivalents at beginning of the half-year	112,424	98,436
Effects of exchange rate fluctuations on cash and cash equivalents	294	438
<b>Cash and cash equivalents at end of the half-year</b>	<u>97,904</u>	<u>77,257</u>

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

## **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 2022 comprises the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in jointly controlled assets.

The 31 December 2022 interim financial statements were authorised for issue by the board of directors on 28 February 2023.

### **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 and liabilities as at 31 December 2022.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**5. Other income**

	<b>31 December 2022 \$000</b>	<b>31 December 2021 \$000</b>
Finance income on bank deposits	1,176	245
Net (loss)/gain on foreign currency transactions	-	(8)
Balance at end of financial period	<u>1,176</u>	<u>237</u>

**6. Financial assets**

	<b>31 December 2022 \$000</b>	<b>30 June 2022 \$000</b>
Financial assets - Current	<u>86</u>	<u>66</u>
Financial assets - Non-Current	<u>514</u>	<u>557</u>

*Reconciliation – Non-Current*

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	491	1,339
Fair value movements	23	(525)
Disposal of financial assets	-	(323)
Carrying value at the end of period	<u>514</u>	<u>491</u>

On 6 September 2017, CapAllianz Holdings (formerly Loyz Energy Limited) (“CapAllianz”) 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 CapAllianz in 2014. As part of the settlement, Carnarvon is also entitled to 12% of any sale proceeds over US\$45m, should CapAllianz sell the Concessions.

The shares in CapAllianz held by Carnarvon at 31 December 2022 were measured using the quoted price on the Singapore Stock Exchange and have been accounted for as a fair value through profit and loss financial asset under Australian Accounting Standards and classified as a “level 1” financial asset under the fair value hierarchy. There were no transfers between the fair value hierarchy levels during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Exploration and evaluation expenditure

	<b>31 December 2022 \$000</b>	<b>30 June 2022 \$000</b>
Carrying value at the beginning of period	157,263	129,500
Additions	9,791	38,487
Exploration expenditure written off	-	(10,724)
	<hr/>	<hr/>
Carrying value at the end of period	167,054	157,263

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.

Exploration expenditure written off at 30 June 2022 relates to TL-SO-T 19-14 production sharing contract and the WA-523-P, WA-521-P, WA-155-P, AC/P62 and AC/P63 permits.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**8. Equity securities issued**

**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 2022 and for the year to 30 June 2022:

	Number December 2022	WAEP December 2022	Number June 2022	WAEP June 2022
Outstanding at beginning of period/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	0.13	10,434,606	0.13
Expired during the year	-	-	-	-
Outstanding at end of period/year	40,790,892	0.31	42,062,668	0.30
Exercisable at end of period/year	40,790,892	0.31	42,062,668	0.30

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.

**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 2022:

Instrument	Held at 1 July 2022	Share price at grant date	Date granted	Vesting period	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 2022 (unvested)
PR - LTIP	2,716,560	0.26	01/07/2021	3	-	50%	0.1%	-	-	-	-	0.19	2,716,560
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%	0.85%	-	4,475,676	63,496	-	0.12	4,412,180
PR - LTIP	-	0.16	05/10/2022	3	-	64%	2.6%	-	53,106	-	-	0.1	53,106
PR - LTIP	-	0.15	18/11/2022	3	-	64%	2.9%	-	2,893,092	-	-	0.095	2,893,092
<b>Total</b>	<b>5,844,325</b>								<b>7,421,874</b>	<b>63,496</b>	<b>948,041</b>		<b>12,254,662</b>

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 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**8. Equity securities issued (continued)**

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

<b>Relative TSR Performance</b>	<b>Level of vesting</b>
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, Warrego Energy.

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

<b>Absolute TSR Performance</b>	<b>% of performance rights that will vest</b>
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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. 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<sup>st</sup> October 2021 to fund the FEED activities to enable an 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.

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

	<b>31 December 2022 \$000</b>	<b>30 June 2022 \$000</b>
Investment in Joint Venture	2,079	2,592
Loss for the period	(657)	(513)
<b>Investment in joint venture</b>	<b>1,422</b>	<b>2,079</b>

Summarised statement of financial position of FEA at 31 December 2022:

	<b>31 December 2022 \$000</b>	<b>30 June 2022 \$000</b>
<b>Current assets</b>		
Cash and cash equivalents	474	1,629
Other receivable	49	77
<b>Non-current Assets</b>	<b>2,592</b>	<b>2,592</b>
<b>Current liabilities</b>		
Trade and other payables	271	140
<b>Equity</b>	<b>2,844</b>	<b>4,158</b>
Group's share in equity (50%)	1,422	2,079
Group's carrying amount of the investment	<u>1,422</u>	<u>2,079</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Investment in Joint ventures (Continued)

Summarised statement of profit or loss of FEA for the period to 31 December 2022:

	<b>31 December 2022 \$000</b>	<b>30 June 2022 \$000</b>
Other income	118	-
Administrative expenses	(1,178)	(539)
Employee benefits	(254)	(486)
Loss for the period	(1,314)	(1,025)
<b>Group's share of loss for the period (50%)</b>	(657)	(513)

10. Subsequent events

On 1 February 2023, the Company applied to surrender the AC/P63 exploration permit, and the application is being considered by the regulator.

On 22 February 2023, the Company announced it has entered into an agreement to divest 10% of its project equity in its Bedout Sub-basin assets (WA-64-L, WA-435-P, WA-436-P, WA-437-P and WA-438-P) to CPC Corporation, Taiwan. This divestment is for total cash consideration of US\$146m, comprising an upfront payment of US\$56m and a carry of US\$90m on forward expenditure in these permits. This transaction is targeting completion by June 2023.

Other than the above, no matter or circumstance has arisen since 31 December 2022 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 2022 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 2023

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

### **Report on the half-year financial report**

#### **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 2022, the consolidated statement of comprehensive income, 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 2022 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.

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## **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 2022 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.

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

Ernst & Young

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

T S Hammond  
Partner  
Perth  
28 February 2023

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## ADDITIONAL SHAREHOLDER INFORMATION

### Details of associates and Joint Venture assets

<i>Permits &amp; Licences</i>	<i>Principal activities</i>	<i>31 December 2022 Ownership interest %</i>	<i>30 June 2022 Ownership interest %</i>
<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%
TL-SO-T 19-14 PSC, Bonaparte/Timor-Leste	Relinquishment	100%	100%
WA-155-P(1), Barrow Basin	Exploration for hydrocarbons	100%	100%
WA-521-P, Bonaparte Basin	Relinquished	0%	100%
WA-523-P, Bonaparte Basin	Relinquished	0%	100%
AC/P62, Bonaparte Basin	Exploration for hydrocarbons	100%	100%
AC/P63, Bonaparte Basin	Surrender	100%	100%
EP509, Carnarvon	Exploration for hydrocarbons	100%	100%
TP29, Carnarvon	Exploration for hydrocarbons	100%	100%

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