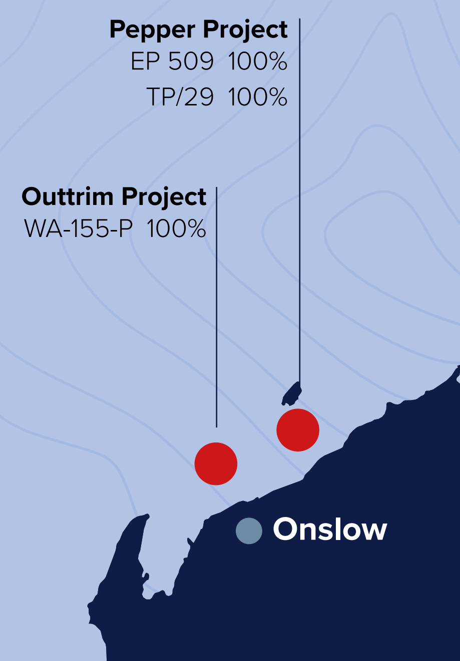
OPERATING AND FINANCIAL REVIEW

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).



OPERATING AND FINANCIAL REVIEW

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.

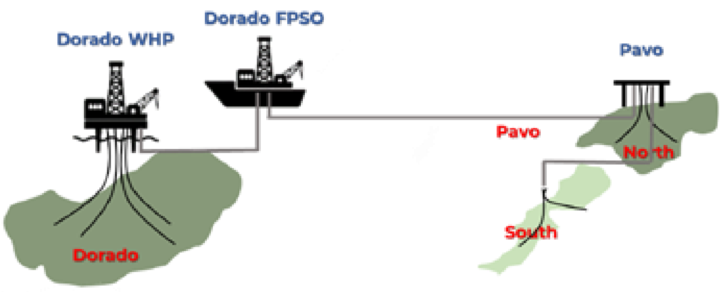


Figure 3: Proposed Dorado Field Development Layout and tie-backs of Pavo North and Pavo South.

OPERATING AND FINANCIAL REVIEW

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).

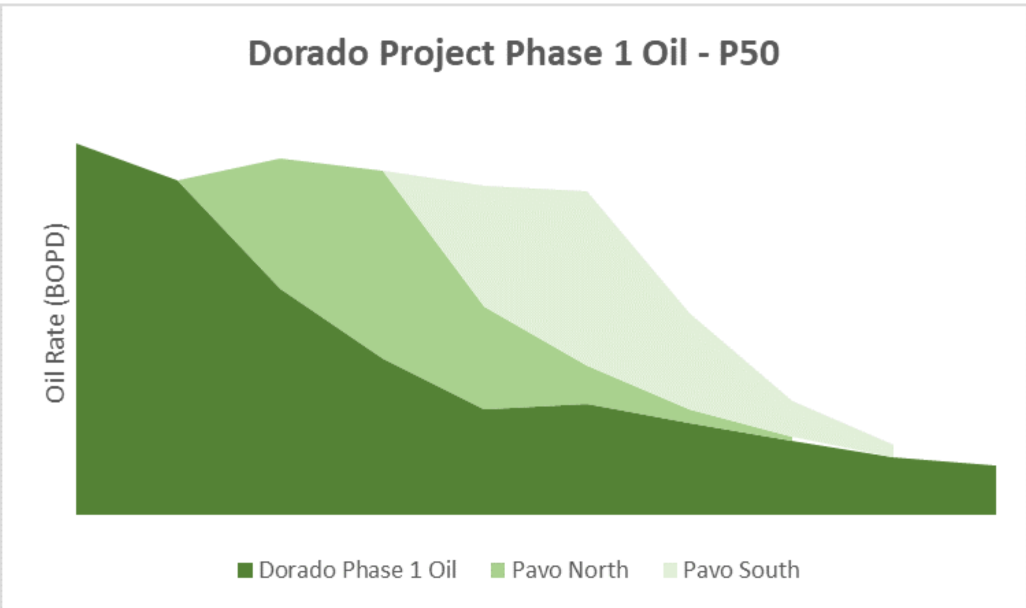


Figure 4: Illustration of the potential to optimise Dorado facilities' production capacity and demonstrating the flexibility to incorporate future resources such as Pavo.

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)

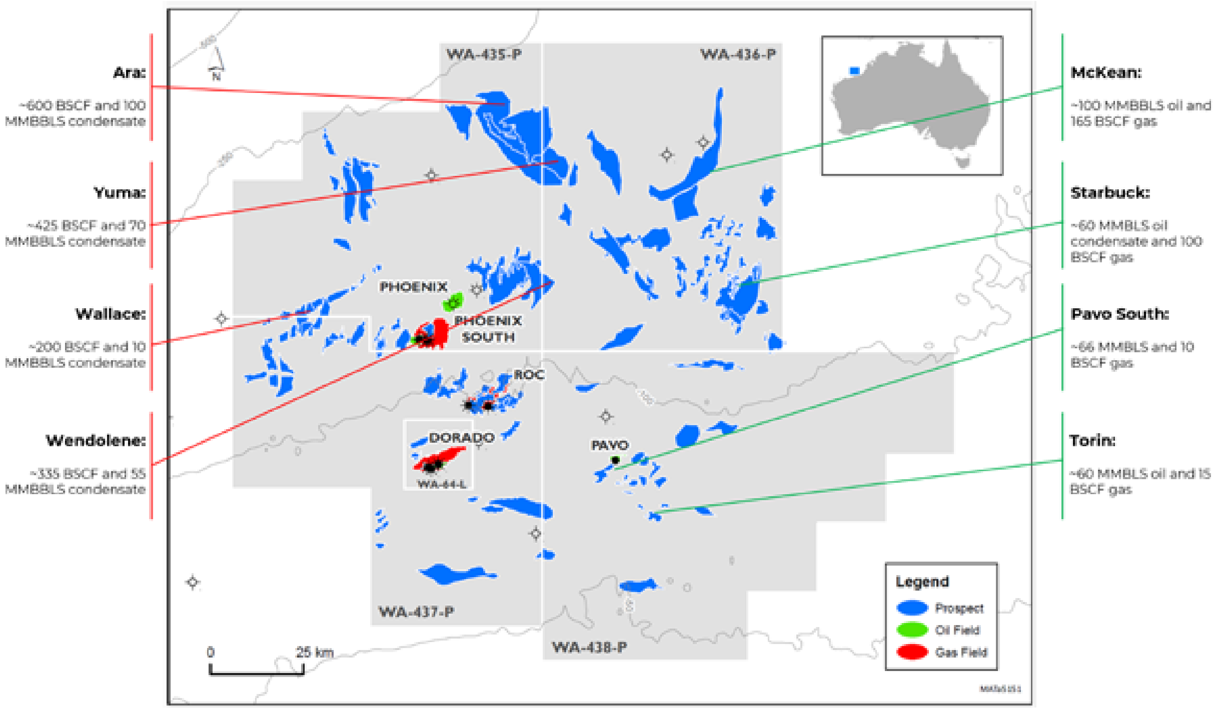


Figure 5: Bedout Prospect and Lead Map with some key prospect locations and volumes highlighted

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 8km^2, 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 signficant 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 mmboe, 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.

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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.

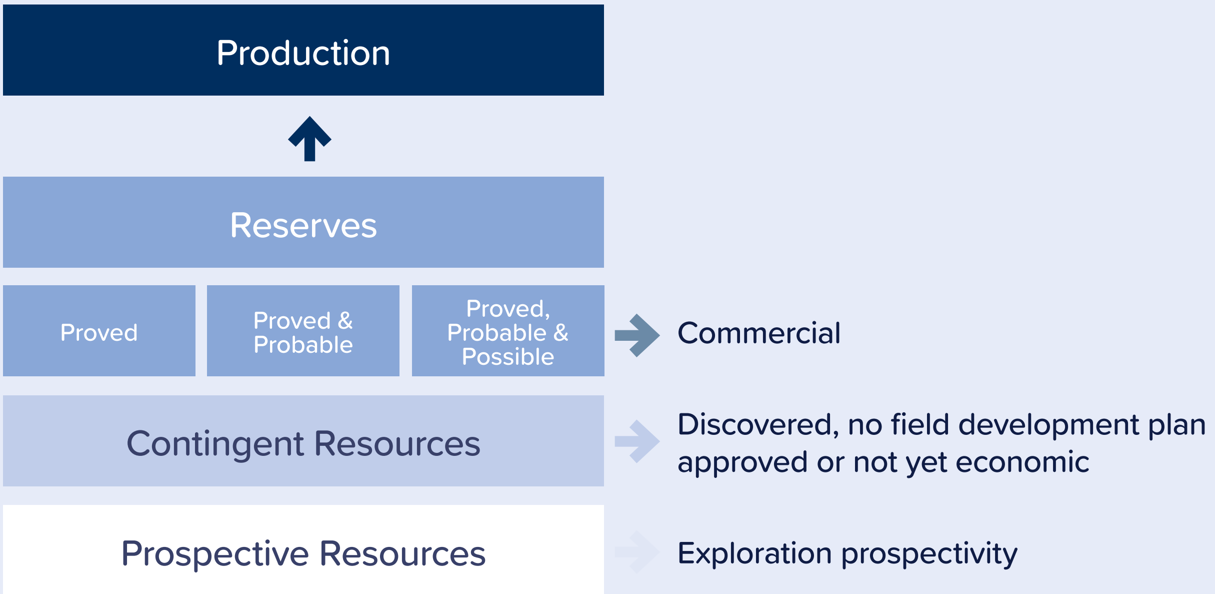
Due to the significant number and scale of the exploration prospects within the Company's Bedout Sub-basin interests, the Company is focusing its exploration efforts and expenditure towards unlocking the potential of the basin. As such, the relinquished and transferred permits have been determined to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



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.

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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		Light Oil and Condensate			Free & Associated Gas			Barrels of Oil Equivalent		
		MMSTB	MMSTB	MMSTB	BSCF	BSCF	BSCF	MMBOE	MMBOE	MMBOE
Resource	Permit	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		Light Oil and Condensate			Free & Associated Gas			Barrels of Oil Equivalent		
		MMSTB	MMSTB	MMSTB	BSCF	BSCF	BSCF	MMBOE	MMBOE	MMBOE
Resource	Permit	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		Light Oil and Condensate			Free & Associated Gas			Barrels of Oil Equivalent		
		MMSTB	MMSTB	MMSTB	BSCF	BSCF	BSCF	MMBOE	MMBOE	MMBOE
Resource	Permit	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.

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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)	Risked 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**

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.

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.

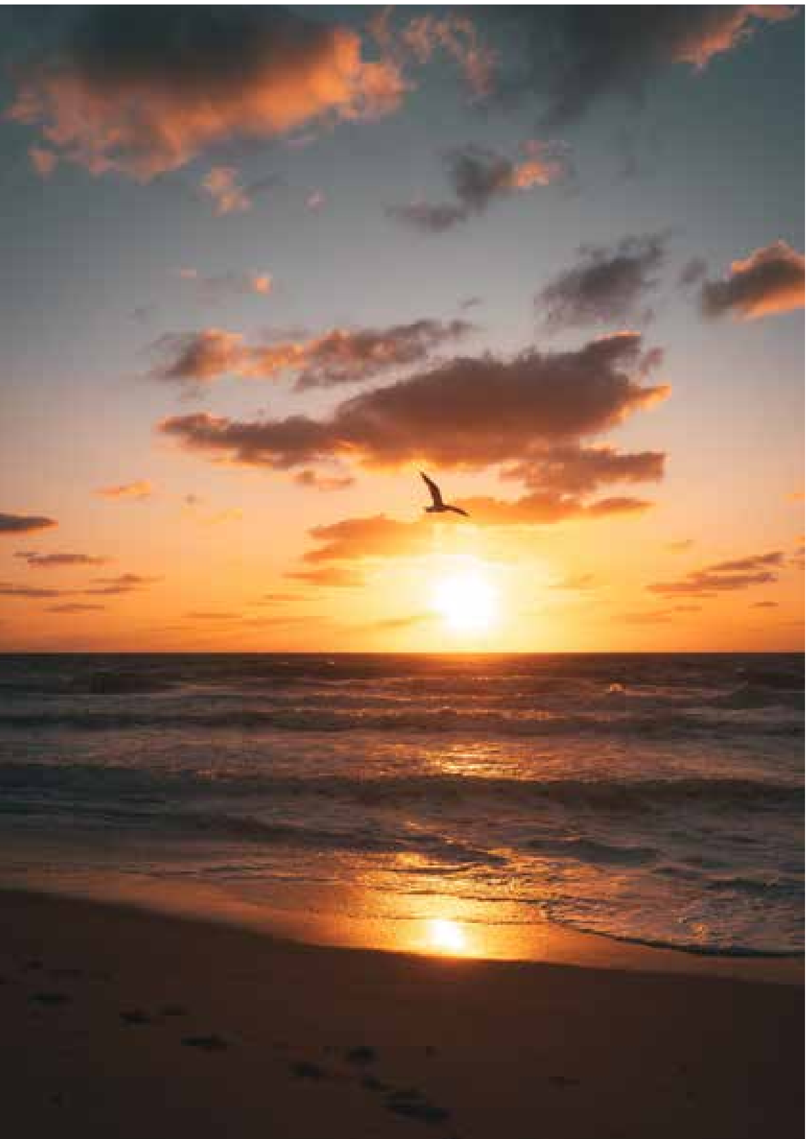
OPERATING AND FINANCIAL REVIEW

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.

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.