

ASX ANNOUNCEMENT

Partial Bedout divestment

22 February 2023

Highlights

- ▶ Binding agreement executed to divest a 10% interest in Carnarvon's Bedout assets, including the Dorado field
- ▶ Cash consideration of US\$146MM, comprising an upfront payment of US\$56MM and a carry of US\$90MM on Carnarvon's forward expenditure, once a Final Investment Decision is made on the Dorado development
- ▶ Carnarvon's debt financing process is continuing, and expected to provide the balance of funding for the Dorado development once financing is secured
- ▶ Following completion, Carnarvon to hold a pro-forma cash balance of approximately A\$178MM

Carnarvon Energy Limited (**Carnarvon**) has entered into a binding agreement to divest a 10% interest in its Bedout assets to OPIC Australia Pty Limited, a wholly owned subsidiary of CPC Corporation, Taiwan (**CPC**), Taiwan's national oil and gas company.

Under the agreement, Carnarvon is set to receive total cash consideration of US\$146MM from the divestment. This comprises an upfront payment of US\$56MM on completion of the transaction, and a further carry of US\$90MM of Carnarvon's forward expenditure in the Bedout permits once a Final Investment Decision (**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. Carnarvon retains 20% of the Pavo discovery and follow-up potential in the WA-438-P Exploration Permit post divestment.

Carnarvon continues to progress its targeted debt financing process. To date, there has been a strong level of market interest across all the potential funding sources for the Dorado development.

The key terms of the transaction, including conditions precedent, are contained in Annexure 1 below.

Carnarvon Managing Director and CEO, Adrian Cook, commented:

“CPC’s status as a leading national oil and gas company in the Asian region, combined with its appetite for this transaction, clearly demonstrate the world class nature of the Dorado development and the greater Bedout Sub-basin.

We are delighted CPC will become a partner in the Joint Venture, and look forward to working with them, and the Operator, to prepare Dorado for FID.

Following completion of the transaction, Carnarvon will be in the enviable position of holding substantial cash and financial liquidity to fund its share of the world class Dorado development.

This strong financial position is also expected to support the advancement of low risk growth through the appraisal and development of the nearby Pavo discovery, and pursuing extensive upside potential via exploration opportunities in the Bedout Sub-basin of the highest quality.”

Azure Capital acted as Carnarvon’s adviser on the transaction, as well as advising on its ongoing debt financing process for the Dorado development.

Approved for release by:



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ANNEXURE 1: KEY TRANSACTION TERMS

The key terms of the transaction are:

Effective date	31 August 2022
Conditions and completion	<p>Customary conditions in respect of Joint Venture approval, approval by the Foreign Investment Review Board (FIRB) and approval and registration by the National Offshore Petroleum Titles Administrator (NOPTA)</p> <p>Minimum six (6) month completion period, with Carnarvon expecting completion to occur by end Q2, 2023</p>
Consideration	<p><u>At completion</u>: Back costs payment of US\$56MM, as adjusted for the period from the effective date to completion</p> <p><u>Dorado FID</u>: Future permit activities payment of US\$90MM, payable on a progressive basis following FID of the Dorado development based on 50% of the amount of each cash call paid by CPC after the FID date</p>
Sale interests	See 'Sale assets' below
Indemnities and warranties	The agreement contains indemnities and warranties which are considered customary for this form of transactional document

Sale assets

Carnarvon's Bedout assets consist of the WA-64-L Production Licence (containing the Dorado field), and the WA-435-P, WA-436-P, WA-437-P and WA-438-P Exploration Permits.

Carnarvon's equity in the Bedout permits at the current time, and following completion, are below:

Permit	Current	Following completion
WA-64-L	20%	10%
WA-435-P	20%	10%
WA-436-P	30%	20%
WA-437-P	20%	10%
WA-438-P	30%	20%

Debt process

As previously announced, Carnarvon is undertaking a formal process to part fund its share of the Dorado development.

Carnarvon has been progressing a broad range of potential sources of capital including:

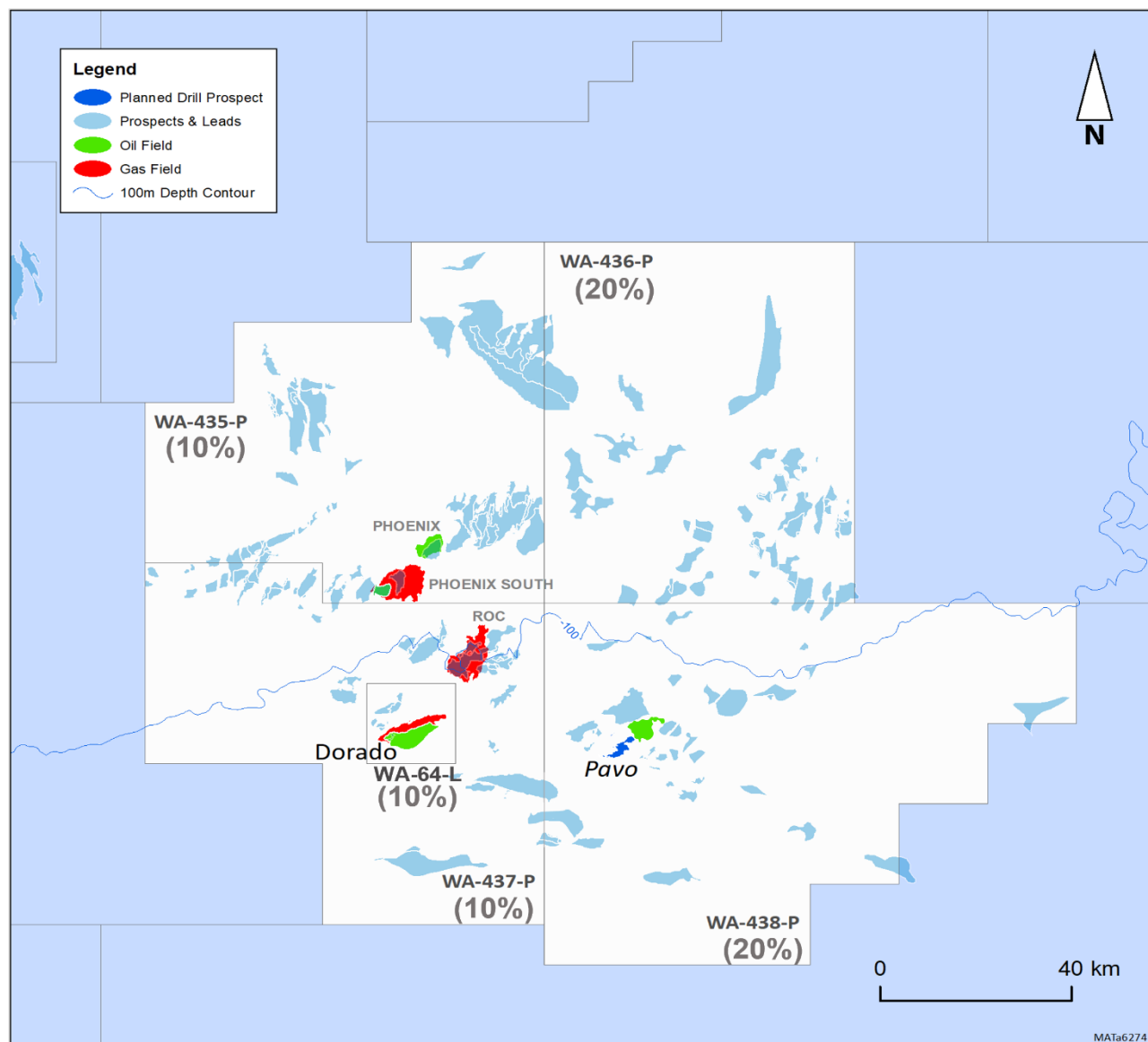
- traditional reserve-based, non-recourse senior debt facilities; and
- alternative funding options (including junior or subordinated debt, offtake prepayment and royalties).

Carnarvon has received a strong level of market interest across all these sources of capital and will continue to progress these to deliver the optimal balance of capital management while maximising risk-weighted value for shareholders.

About CPC Corporation, Taiwan

CPC is Taiwan's national oil and gas company, and one of the largest national oil companies in the Asian region. Its business areas include oil & gas exploration and production, refining, petrochemicals, lubricants, solvents and chemicals.

CPC holds a portfolio of international assets, including interests in the Prelude FLNG project and Ichthys LNG project in Australia.

ANNEXURE 2: BEDOUT PERMITS – CARNARVON EQUITY FOLLOWING COMPLETION


This announcement contains certain “forward-looking statements”, which can generally be identified by the use of words such as “will”, “may”, “could”, “likely”, “ongoing”, “anticipate”, “estimate”, “expect”, “project”, “intend”, “plan”, “believe”, “target”, “forecast”, “goal”, “objective”, “aim”, “seek” and other words and terms of similar meaning. Carnarvon cannot guarantee that any forward-looking statement will be realised. Achievement of anticipated results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. You should bear this in mind as you consider forward-looking statements, and you are cautioned not to put undue reliance on any forward-looking statement.