

Buffalo project update

7 March 2018



Highlights

- Australian and Timor-Leste Governments sign new Maritime Boundary Treaty
- Buffalo oil field redevelopment will now be undertaken in an area of exclusive Timor-Leste jurisdiction
- The Treaty provides greater certainty around Carnarvon's redevelopment plans
- Fiscal terms are to be equivalent to those in place under Australian domestic law

Carnarvon Petroleum Limited ("Carnarvon") (ASX:CVN) is pleased to provide the following update regarding the status of the UNCLOS Compulsory Conciliation Proceeding between Australia and The Democratic Republic of Timor-Leste ("Timor-Leste").

This morning (Australian WST) the Australian and Timor-Leste Governments signed the treaty establishing their maritime boundaries in the Timor Sea ("Maritime Boundary Treaty" or "Treaty"). The Treaty will enter into force when Australia and Timor-Leste have notified each other in writing that the requirements for entry into force have been fulfilled. For Australia, this requires the Treaty together with relevant and associated legislation to be presented to its parliament for approval (passage). For Timor-Leste, this requires ratification of the Treaty by the National Parliament, and subsequently the President of the Republic's Order for the treaty to be published in the official gazette.

Carnarvon's 100% owned WA-523-P permit (Buffalo project) is affected by the boundary, most notably the Buffalo oil field will now fall within Timor-Leste's exclusive jurisdiction (refer Figure 1). A portion of WA-523-P will remain within Australia's exclusive jurisdiction.

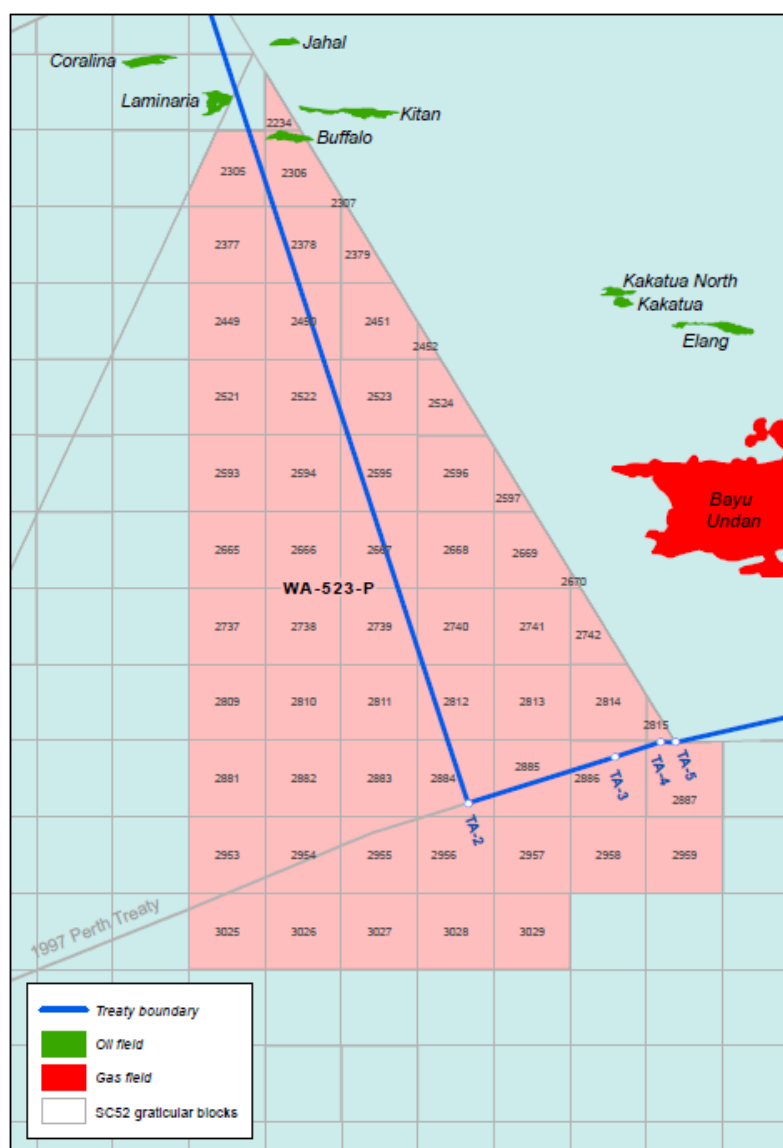
The Treaty provides that security of title and legal rights currently held by Carnarvon will be preserved through conditions equivalent to those already in place under Australian domestic law. Special legislation will also be enacted by Timor-Leste to ensure the Buffalo oil field redevelopment will proceed under equivalent fiscal terms to those in place under Australian domestic law.

Carnarvon looks forward to continuing to work with the Autoridade Nacional do Petróleo e Minerais (ANPM) and other relevant authorities in Timor-Leste on the Buffalo project. Our objective is to have the required production sharing contract ("PSC") in place once the Treaty is ratified by Australia and Timor-Leste. In addition to this, Carnarvon has been assured that it may proceed with operation and preparatory activities for redeveloping the field prior to the ratification of the Treaty.

The discussions held so far with officials from Timor-Leste make it clear Carnarvon and Timor-Leste are equally agreed to achieve first oil as soon as possible. Carnarvon believes there to be a number of benefits in developing the field within the Timor-Leste framework and therefore, the near-term priorities are to enter into a PSC and finalise the preferred options for developing this valuable resource.

Carnarvon’s Managing Director, Adrian Cook said, “we wish to congratulate the Australian and Timor-Leste Governments for establishing certainty over the maritime boundaries in the Timor Sea and for respecting the rights and interests of affected companies such as Carnarvon. We have established a positive and constructive working relationship with representatives from the ANPM and Timor-Leste Government and look forward to building upon this as we work to redevelop the Buffalo oil field. Even at this early stage, we feel aligned in our endeavours to commence production from the Buffalo oil field safely, promptly and in a manner that delivers appropriate benefits to Carnarvon’s shareholders and the people of Timor-Leste.”

Figure 1: Maritime boundary change relative to WA-523-P permit



Permit equity holder:

Carnarvon Petroleum (Operator)

100%

Yours faithfully



Adrian Cook
Managing Director
Carnarvon Petroleum

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About Buffalo Oil Field Redevelopment Project

The Buffalo Oil Field was discovered by BHP in 1996 and was subsequently developed using four wells drilled from a small, unmanned wellhead platform installed in 25 metres water depth, tied back to an FPSO. Production commenced in December 1999 at production rates up to approximately 50,000stb/d and terminated in November 2004 after the production of 20.5MMstb of highly-undersaturated, light oil (53°API) from the Jurassic-age Elang Formation. All existing facilities and wells were decommissioned and removed prior to Carnarvon being awarded the block.

Carnarvon secured the exploration permit in 2016, initially focussing on 3D seismic reprocessing using state-of-the-art full waveform inversion (FWI) technology. Today, this work supports the interpretation of a significant unproduced attic oil accumulation arising from the sub-optimal positioning of early wells caused by poorly processed seismic data at the time.

At this time, scoping studies show that the oil field redevelopment is clearly economic on a range of field development options. As a field redevelopment, the project is considered low risk which gives Carnarvon the confidence to advance the project.

About Carnarvon Petroleum

Carnarvon Petroleum Ltd is an oil and gas exploration company, listed on the Australian stock exchange (ASX: CVN). Carnarvon has an extensive acreage position in the North West Shelf of Western Australia, with equity positions in 12 blocks covering a total area of 36,000 km² at varying interest levels. Carnarvon has discovered oil, gas and condensate at the Roc and Phoenix South structures and is working with partner Quadrant Energy on bringing those to commercialisation.

About ANPM

Autoridade Nacional do Petróleo e Minerais (ANPM) is Timor-Leste's public institution responsible for managing and regulating petroleum and mining activities in Timor-Leste area, both offshore and onshore, and the Joint Petroleum Development Area (JPDA) in the Timor Sea on behalf of both Timor-Leste and Australia. The ANPM is to establish and supervise compliance with the enacted rules and regulations covering the exploration, development, production, transportation and distribution of petroleum, natural gas resources and minerals.