

# Capital raise secures funds for Buffalo-10 drilling

## 11 May 2018



### Highlights

- **Carnarvon successful in capital raise to fund Buffalo-10 well development**
- **Timing allows commitments to be made now to facilitate drilling in 2019**
- **Buffalo-10 well to confirm attic oil and mid case volume of 31 million barrels**

Carnarvon Petroleum Limited (“Carnarvon” or “the Company”; ASX:CVN) is pleased to confirm it has successfully raised \$16 million (before costs) which will be used to fund drilling of its Buffalo-10 well. Additional funds are expected to be secured through a share purchase offer to existing shareholders to raise up to \$4 million.

The share purchase plan is being offered to existing eligible shareholders, so as to allow them to subscribe for new shares in Carnarvon at the same price as shares issued under the placement. Further details regarding the share placement and the proposed share purchase plan is set out in Annexure 1.

All capital raised is for the purpose of funding the Buffalo-10 well development and to meet the Company’s general working capital requirements.

As reported to ASX on 3 May 2018, the Company is moving quickly to progress the redevelopment of the Buffalo oil field.

The Buffalo-10 well will be the first of three production wells to be drilled in this exciting oil redevelopment project. The current expected timing for drilling to commence on the first well is between March and September 2019 (after the end of the cyclone season).

Amounts raised under the placement and share purchase plan, combined with the Company’s existing cash, will underpin the funding of the Buffalo-10 well and enable drilling to occur as soon as practicable.

The Board of Directors of Carnarvon deemed the raising the minimum needed to proceed with the Company’s Buffalo and Phoenix project activities in a prudent financial manner.

Carnarvon is currently participating in drilling the Phoenix South-3 well and will soon commence drilling the Dorado-1 well in its Phoenix project. These activities are expected to provide important value opportunities for shareholders in the near term.

Carnarvon Chief Executive Officer, Adrian Cook said: *“The Buffalo project has the potential to generate significant value that’s ideally suited to Carnarvon in terms of scale, time to first production and overall risk profile.*

*This capital raise demonstrates our expeditious approach to make this production opportunity a reality for shareholders, particularly as we see oil prices currently strengthening from the recent lows of previous years.*

*Carnarvon now offers investors two high quality, organically derived projects progressing to commercialisation phases in the near term.”*

## Summary of the capital raise

	<b>Share purchase plan</b>	<b>Placement</b>
Participants	Restricted to existing shareholders only	Primarily new shareholders
Amount to be raised	Up to \$4 million	\$16 million
Proportion of the Company's issued capital pre-capital raise	3%	12%
Maximum investment per shareholding	\$15,000	Not applicable
Share price being offered per share	\$0.13	\$0.13
Discount to the average share price over the last 30 days*	14.5%	14.5%
Discount to the average share price over the last 10 days*	18.6%	18.6%
Discount to the average share price over the last 5 days*	20.8%	20.8%
Discount to the last traded share price	25.7%	25.7%

\* These discounts refer to the 5, 10 and 30 day volume weighted average price of Carnarvon shares up to and including 9 May 2018.

### Investor inquiries:

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## Annexure 1: Capital Raising Key Information

Placement	<ul style="list-style-type: none"> <li>• Placement of approximately 123 million new fully paid ordinary shares to institutional and sophisticated investors to raise approximately \$16 million (before costs) under Carnarvon's available placement capacity pursuant to ASX Listing Rules 7.1</li> <li>• Shareholder approval is not required and the placement is not underwritten</li> </ul>
Offer Price	<ul style="list-style-type: none"> <li>• The Offer Price of \$0.13 represents a discount of 25.7% to Carnarvon's closing price on 9 May 2018, a discount of 20.8% to the volume weighted average price of the 5 days trading up to, and including, 9 May 2018 and a discount of 14.5% to the volume weighted average price of the 30 days trading up to, and including, 9 May 2018</li> </ul>
Share Purchase Plan	<ul style="list-style-type: none"> <li>• Share Purchase Plan ("SPP") to provide eligible Australian and New Zealand shareholders with an opportunity to participate</li> <li>• Eligible Australian and New Zealand shareholders can subscribe for shares up to the value of A\$15,000</li> <li>• The SPP is not underwritten and capped at total proceeds of A\$4 million (subject to scale-back in the event of oversubscription)</li> <li>• SPP shares will be issued at the Offer Price of \$0.13 per share</li> <li>• An SPP Offer Booklet containing further details of the SPP offer will be sent to eligible Australian and New Zealand shareholders</li> </ul>
Indicative Timetable	<ul style="list-style-type: none"> <li>• Record Date for eligibility to participate in SPP: Thursday 10 May 2018</li> <li>• Announcement of Placement: Friday 11 May 2018</li> <li>• Trading halt lifted and Carnarvon shares resume trading: Friday 11 May 2018</li> <li>• Settlement of Placement shares: Friday 18 May 2018</li> <li>• Issue and quotation of Placement shares: Monday 21 May 2018</li> <li>• Dispatch SPP Offer Documents: Wednesday 16 May 2018</li> <li>• SPP acceptance period: Wednesday 16 May 2018 to Friday 1 June 2018</li> <li>• Issue of SPP shares: Wednesday 6 June 2018</li> </ul>
Ranking	<ul style="list-style-type: none"> <li>• On an equivalent basis with existing Carnarvon shares</li> </ul>
Use of Proceeds	<ul style="list-style-type: none"> <li>• To enable the Company to progress its drilling and development plans in the Buffalo Oil Field in Timor-Leste and for general working capital purposes</li> </ul>
Lead manager	<ul style="list-style-type: none"> <li>• Euroz Securities Limited</li> </ul>

## **About Buffalo Redevelopment Project**

Carnarvon was awarded the WA-523-P acreage in May 2016 for an initial six-year term which included the previously developed Buffalo field. The Field was discovered by BHP in 1996 and 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 initially focussed its technical work on reprocessing of the 3D seismic dataset using state-of-the-art full waveform inversion (FWI) technology. This work supports the interpretation of a significant attic oil accumulation remaining after the original development, based on sub-optimal positioning of early wells using poorly processed seismic data. Reservoir modelling has been conducted using latest structural interpretation and available well data, including an extensive history-matching effort to calibrate model/well performance to production rates and watercut development (governed by strong aquifer drive) observed during the original production period.

Based on this work, independently audited volumetric estimates of contingent resources in the Buffalo oil field are 31.1 million barrels (2C) with high and low estimates of 15.3 million barrels (1C) and 47.8 million barrels (3C) – Refer to Carnarvon Petroleum’s ASX announcement on 28 August 2017.

Carnarvon is not aware of any new information or data that materially affects the information included in its ASX announcement dated 28 August 2017 and that all the material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.

The estimates of contingent resources included in this report have been prepared in accordance with the definitions and guidelines set forth in the SPE-PRMS.

A combination of deterministic and probabilistic methods were used to prepare the estimates of these contingent resources.