

Buffalo Project (TL-SO-T 19-14 PSC)

(Carnarvon 100% and operator)

On 31 December 2021, the Company, along with its 50% Joint Venture partner at that time, Advance Energy, spudded the Buffalo-10 appraisal well with Carnarvon as operator. The well aimed to test an interpreted undrilled structural attic within the Elang reservoir of the Buffalo Field, highlighted by Full-Waveform-Inversion (“FWI”) seismic reprocessing of the Legacy 3D seismic datasets.

Upon entering the reservoir, the top Elang Formation was encountered 80 metres low to prognosis which was outside of the pre-drill range of expectation. The result subsequently disproved the presence of an unproduced structural attic. Wireline logging recorded an approximate 12 metre gross oil column within the Elang Formation, with the oil column subsequently deemed residual and uncommercial.

This demonstrated that the seismic processing techniques employed on this project did not resolve the underlying seismic velocity distortion or imaging resolution issues that are present over this field.

While the results from the Buffalo-10 well are disappointing, Carnarvon is pleased to report that its first offshore well as operator was drilled safely and without environmental incident which is a credit to the operations team.

Following the Buffalo-10 well outcome, Carnarvon has requested to relinquish the TL-SO-T 19-14 PSC area to the regulator in Timor-Leste. Prior to the end of the financial period, Carnarvon and Advance Energy terminated the Joint Venture agreement, meaning Carnarvon retains a 100% interest in the PSC until the PSC is formally relinquished.

Taurus Project (WA-523-P)

(Carnarvon 100% and operator)

The WA-523-P exploration permit was awarded to Carnarvon in May 2016 and sits adjacent to Carnarvon’s Buffalo permit in the Bonaparte Basin, albeit in Australian waters. Carnarvon’s exploration rationale for WA-523-P was to identify attractive prospects and leads within tie-back distance of the Buffalo Field which could then be linked via subsea tie-back. Due to the outcome of Buffalo-10 well, the Company does not intend to progress the identified prospects within WA-523-P as stand-alone targets and is preparing to surrender this permit.

FINANCIAL REVIEW

The Group reports an after-tax loss of \$53,753,000 for the financial year ending 30 June 2022 (2021: profit: \$17,136,000).

Carnarvon’s balance sheet remains strong with cash and cash equivalents of \$112,424,000 (2021: \$98,436,000), with no debt and minimal commitments going forward.

Following the completion of the Buffalo-10 well, Carnarvon recognised a \$30,120,000 loss in relation to its investment in the Buffalo Joint Venture which primarily included the write-off of previously capitalised exploration costs in relation to the Buffalo-10 well. As the Company was free carried for the first US\$20 million of the Buffalo-10 well costs, this does not reflect the cash outlay by the Company during the period and includes impairment of the accounting fair value adjustment of \$23,635,000 that was recognised in the prior year.

