

**ASX APPENDIX 4D
RESULTS FOR ANNOUNCEMENT TO THE MARKET
LISTING RULE 4.2A.3
HALF YEAR FINANCIAL REPORT TO 31 DECEMBER 2012**

	6 months to 31 December 2012	6 months to 31 December 2011	% change
	\$000	\$000	
Sales revenue	9,223	17,287	(46.7%)
Net (loss) / profit for the period	(2,757)	(2,479)	(11.2%)
Net (loss) / profit attributable to members	(2,757)	(2,479)	(11.2%)

Explanation of results

An explanation of the Group's results is contained in the Director's Report within the attached Interim Financial Report and in the Interim Financial Report Presentation.

Dividends

	6 months to 31 December 2012	6 months to 31 December 2011
Interim dividend per share	Nil	Nil
Franked amount per share	Not applicable	Not applicable

Net tangible assets per share

	As at 31 December 2012	As at 31 December 2011
Net tangible assets per share (cents per share)	2.6	2.0

Details of associates and joint venture assets

<i>Joint venture</i>	<i>Principal activities</i>	<i>31 December 2012 Ownership interest %</i>	<i>31 December 2011 Ownership interest %</i>	<i>31 December 2012 Net (loss) \$000</i>	<i>31 December 2011 Net profit \$000</i>
<i>Thailand</i>					
Phetchabun Basin Concession, Exploration Blocks L44/43 and L33/43, 3/2546/60 and 5/2546/62 Concessions	Exploration, development and production of hydrocarbons	40%	40%	750	3,290
Exploration Block L20/50, 7/2551/98 Concession	Exploration for hydrocarbons	-	55%	-	-
Exploration Blocks L52/50 and L53/50 3/2553/105 concession	Exploration for hydrocarbons	100%	50%	-	-
<i>Western Australia</i>					
WA-399-P, Carnarvon Basin	Exploration for hydrocarbons	13%	13%	-	-
WA-435-P, WA-436-P, WA-437-P, WA 438-P, Roebuck Basin	Exploration for hydrocarbons	20%	50%	-	-
WA-443-P, Roebuck Basin	Exploration for hydrocarbons	100%	100%	-	-
<i>Indonesia</i>					
Rangkas, West Java Basin	Exploration for hydrocarbons	-	33%	-	-

**CARNARVON PETROLEUM LIMITED
ABN 60 002 688 851
AND CONTROLLED ENTITIES**

**INTERIM FINANCIAL REPORT
31 December 2012**

CORPORATE DIRECTORY

Directors

PJ Leonhardt (Chairman)
AC Cook (Chief Executive Officer)
EP Jacobson (Non-Executive Director)
NC Fearis (Non-Executive Director)
W Foster (Non-Executive Director)

Company Secretary

T Naude (Appointed 22 November 2012)
G Smith (Retired 22 November 2012)

Auditors

Crowe Horwath Perth

Bankers

Australia and New Zealand Banking Group Limited
National Australia Bank Limited
HSBC (Thailand)

Registered Office

Ground Floor
1322 Hay Street
West Perth WA 6005
Telephone: +61 8 9321 2665
Facsimile: +61 3 9321 8867
Email: admin@cvn.com.au
Website: www.carnarvonpetroleum.com.au

Share Registry

Link Market Services Limited
Ground Floor
178 St Georges Terrace
Perth, WA 6000 Australia

Investor Enquiries: 1300 554 474 (within Australia)
Investor Enquiries: +61 2 8280 7111 (outside Australia)
Facsimile: +61 2 9287 0303

Stock Exchange Listing

Securities of Carnarvon Petroleum Limited are listed on the Australian Securities Exchange.
ASX Code: CVN - Ordinary shares

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DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2012, and the independent review report thereon.

Directors

The directors of the Company in office at any time during or since the end of the half-year are as follows. Directors were in office for this entire period unless otherwise stated.

Peter Leonhardt
Adrian Cook
Edward (Ted) Jacobson
Neil Fearis
William (Bill) Foster

Review of Operations

The Group's operations comprise oil and gas exploration and production in South East Asia and Western Australia. Currently the Group's main interests are located in Thailand and the North West Shelf of Western Australia.

In Thailand, Carnarvon holds a 40% interest in producing oil fields in central Thailand (at Wichian Buri, Na Sanun, Si Thep, Na Sanun East, Bo Rang, L44-W, L33-1, L33-2 and WBEXT) which, together with associated exploration and appraisal opportunities, make up the Phetchabun Basin Joint Venture ("Joint Venture").

During the half-year Carnarvon's share of oil sold was 97,776 bbls (2011: 179,648 bbls).

The Group's share of revenue from these oil sales was \$9,223,000 (2011: \$17,287,000). The decrease from the previous corresponding period was the result of the decrease in oil sales volume combined with a lower average sale price achieved of \$94.33 bbl (2011: \$96.22 bbl).

In Western Australia, Carnarvon completed a farm out in October 2012 of its interests in exploration blocks WA-435-P and WA-437-P. The Group, together with Joint Venture partners, is working toward drilling and testing the multi-Tcf Phoenix South Prospect in late 2013 with the Atwood Eagle drilling rig. The drilling and testing of this well will be fully funded by Apache and JX Nippon (within pre-agreed cost caps) and the Company has received back costs in relation to this project subsequent to the half year end.

The Group's loss after tax from continuing operations for the half year ending 31 December 2012 was \$2,757,000 (2011 loss: \$2,479,000). The loss includes a one off expense of \$1,105,000 in relation to the write off of past costs for the L20/50 concession in Thailand as the Company farmed out all of its interest during the period. While the company has the opportunity to receive a first oil bonus and production royalties, the Company has taken a conservative position to carry the asset at zero cost.

Amortisation of oil & gas assets during the half year was \$1,619,000 (2011: \$1,631,000). The decrease in the Amortisation expense was due to the decrease in production.

The Company successfully raised \$20,000,000 by way of placement and share purchase plan during the half year. The funds were raised to enable the Company to participate in a sandstone development program in Thailand and other exploration activities.

It is the Company's policy to naturally hedge financial commitments which are expected to be in Thai Baht and US dollars.

Subsequent events

No matter or circumstance has arisen since 31 December 2012 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

- (i) the Group's operations, or
- (ii) the results of those operations, or
- (iii) the Group's state of affairs

Rounding of amounts

The company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission. Amounts in the Directors' Report and the interim financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order unless otherwise indicated.

Auditors' Independence Declaration

The lead auditors' Independence Declaration, as required under section 307C of the Corporations Act 2001, is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2012.

Signed in accordance with a resolution of the directors.



PJ Leonhardt
Director

Perth
26 February 2013



AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Carnarvon Petroleum Limited for the half year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads "Crowe Horwath Perth".

CROWE HORWATH PERTH

A handwritten signature in black ink that reads "Sean McGurk".

SEAN MCGURK
Partner

Signed at Perth, 26 February 2013

CARNARVON PETROLEUM LIMITED
31 DECEMBER 2012 INTERIM FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Half-year 31 December 2012 \$000	Half-year 31 December 2011 \$000
Continuing operations		
Revenue	9,223	17,287
Cost of sales	(6,499)	(7,218)
Gross profit	2,724	10,069
Administrative expenses	(768)	(688)
Employee benefits expense	(672)	(653)
Directors' fees	(146)	(146)
Unrealised foreign exchange (loss) / gain	(115)	304
Travel related costs	(76)	(80)
Share based payments	-	(381)
New venture expenditure written off	(680)	(794)
Exploration expenditure written off	(1,105)	(3,361)
Results from operating activities	(838)	4,270
Finance income	75	30
Net finance income	75	30
(Loss) / Profit before taxes	(763)	4,300
Taxes		
Deferred income tax expense	(3,486)	(5,453)
Income tax expense	1,492	(1,326)
	(1,994)	(6,779)
Special remuneratory benefit tax	-	-
Total taxes	(1,994)	(6,779)
Net (loss) for the period from continuing operations attributable to members of the entity	(2,757)	(2,479)
Basic (loss) per share from continuing operations (cents per share)	(0.4)	(0.4)
Diluted (loss) per share from continuing operations (cents per share)	(0.4)	(0.4)

The consolidated income statement should be read in conjunction with the notes to the consolidated interim financial report.

CARNARVON PETROLEUM LIMITED
31 DECEMBER 2012 INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Half-year 31 December 2012 \$000	Half-year 31 December 2011 \$000
Net (loss) for the period from continuing operations	<u>(2,757)</u>	<u>(2,479)</u>
Other comprehensive income		
Exchange differences arising in translation of foreign operations	1,691	3,125
Total other comprehensive income net of taxes	<u>1,691</u>	<u>3,125</u>
Total comprehensive (loss) / income for the period attributable to members of the entity	<u>(1,066)</u>	<u>646</u>

The consolidated statement of comprehensive income should be read in conjunction with the notes to the consolidated interim financial report.

CARNARVON PETROLEUM LIMITED
31 DECEMBER 2012 INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	31 December	30 June
	2012	2012
	\$000	\$000
Current assets		
Cash and cash equivalents	15,856	7,106
Trade and other receivables	5,635	2,926
Inventories	5,533	4,332
Other assets	852	427
Current tax asset	613	-
Total current assets	<u>28,489</u>	<u>14,791</u>
Non-current assets		
Property, plant and equipment	563	469
Exploration and evaluation	6,370	7,776
Oil and gas assets	91,513	82,905
Total non-current assets	<u>98,446</u>	<u>91,150</u>
Total assets	<u>126,935</u>	<u>105,941</u>
Current liabilities		
Trade and other payables	4,080	1,945
Employee benefits	227	222
Current tax liability	-	2,347
Total current liabilities	<u>4,307</u>	<u>4,514</u>
Non-current liabilities		
Deferred tax	36,597	33,111
Total non-current liabilities	<u>36,597</u>	<u>33,111</u>
Total liabilities	<u>40,904</u>	<u>37,625</u>
Net assets	<u>86,031</u>	<u>68,316</u>
Equity		
Issued capital	87,317	68,536
Reserves	(15,312)	(17,003)
Retained profits	14,026	16,783
Total equity	<u>86,031</u>	<u>68,316</u>

The consolidated statement of financial position should be read in conjunction with the notes to the consolidated interim financial report.

CARNARVON PETROLEUM LIMITED
31 DECEMBER 2012 INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Issued capital \$000	Retained profits \$000	Translation reserve \$000	Share based payments reserve \$000	Total \$000
Balance at 1 July 2011	68,240	19,281	(22,267)	2,045	67,299
Comprehensive income					
Loss for the period	-	(2,479)	-	-	(2,479)
Other comprehensive income	-	-	3,125	-	3,125
Total comprehensive income for the half year	-	(2,479)	3,125	-	646
Transactions with owners and other transfers					
Share based payments	-	-	-	381	381
Total transactions with owners and other transfers	-	-	-	381	381
Balance at 31 December 2011	68,240	16,802	(19,142)	2,426	68,326
Balance at 1 July 2012	68,536	16,783	(19,197)	2,194	68,316
Comprehensive income					
Loss for the period	-	(2,757)	-	-	(2,757)
Other comprehensive income	-	-	1,691	-	1,691
Total comprehensive income for the half year	-	(2,757)	1,691	-	(1,066)
Transactions with owners and other transfers					
Share based payments	-	-	-	-	-
Proceeds from Capital Raise	18,781	-	-	-	18,781
Total transactions with owners and other transfers	18,781	-	-	-	18,781
Balance at 31 December 2012	87,317	14,026	(17,506)	2,194	86,031

The consolidated statement of changes in equity should be read in conjunction with the notes to the consolidated interim financial report.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Half-year 31 December 2012 \$000	Half-year 31 December 2011 \$000
Cash flows from operating activities		
Receipts from customers and GST recovered	8,500	18,059
Payments to suppliers and employees	(7,833)	(7,695)
Income and special remuneratory benefit taxes paid	(1,299)	(1,263)
Interest received	75	30
Net cash flows (used in) / provided by operating activities	<u>(557)</u>	<u>9,131</u>
Cash flows from investing activities		
Exploration, evaluation and development expenditure	(7,813)	(13,906)
Acquisition of property, plant and equipment	(936)	(222)
Cash held as security	(1,229)	-
Net cash flows (used in) investing activities	<u>(9,978)</u>	<u>(14,128)</u>
Cash flows from financing activities		
Sale of property, plant, and equipment	602	-
Proceeds from issue of shares	18,781	-
Net cash flows provided by financing activities	<u>19,383</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	8,848	(4,997)
Cash and cash equivalents at beginning of the half-year	7,106	14,798
Effects of exchange rate fluctuations on cash and cash equivalents	(98)	433
Cash and cash equivalents at end of the half-year (*)	<u>15,856</u>	<u>10,234</u>

(*) In addition, the Group has \$2,126,000 (June 2012: \$891,000) of restricted cash held as security and classified under trade and other receivables.

The consolidated statement of cash flows should be read in conjunction with the notes to the consolidated interim financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Carnarvon Petroleum Limited ("Carnarvon") is a company domiciled in Australia.

The consolidated interim financial report as at and for the six months ending 31 December 2012 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled assets.

The 31 December 2012 interim financial statements were authorised for issue by the board of directors on 26 February 2013.

2. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made during the half year.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2012 annual financial report for the financial year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

3. Contingent assets and liabilities

There have been no changes of a material nature in contingent liabilities or contingent assets since the last annual reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Property plant and equipment

Capital commitments

As at 31 December 2012 the Group had entered into capital commitments for \$2,850,000 (December 2011: \$592,000).

5. Equity securities issued

	31 December 2012	31 December 2011
	Shares	Shares
<i>Issue of ordinary shares during the half-year</i>		
Shares issued under the Employee Share Plan	-	5,500,000
Shares issued under the Capital Raise	243,887,066	-
	<u>243,887,066</u>	<u>5,500,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Segment information

The Group reports one segment, oil and gas exploration, development and production, to the chief operating decision maker, being the Board of Carnarvon Petroleum Limited, in assessing performance and determining the allocation of resources. The financial information presented in the statement of cashflows is the same basis as that presented to chief operating decision maker.

Basis of accounting for purposes of reporting by operating segments

Unless otherwise stated, all amounts reported to the chief operating decision maker are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Revenue by geographical region

Revenue, including interest income, is disclosed below based on the location of the external customer:

	Half-year ending 31 December 2012 \$000	Half-year ending 31 December 2011 \$000
Thailand	9,245	17,310
Australia	53	7
	<u>9,298</u>	<u>17,317</u>

The Group derives 100% of its sales revenue from one customer in the oil and gas exploration, development and production segment.

Total assets by geographical region

The location of total segment assets is disclosed below by geographical location of the assets:

	As at 31 December 2012 \$000	As at 30 June 2012 \$000
Thailand	110,530	100,544
Australia	16,405	5,397
	<u>126,935</u>	<u>105,941</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Subsequent events

No matter or circumstance has arisen since 31 December 2012 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

- (i) the Group's operations, or
- (ii) the results of those operations, or
- (iii) the Group's state of affairs

DIRECTORS' DECLARATION

The directors of the Carnarvon Petroleum Limited (the "Company") declare that:

1. The financial statements and notes, as set out on pages 6 to 14 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



PJ Leonhardt
Director

Perth
26 February 2013



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CARNARVON PETROLEUM LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Carnarvon Petroleum Limited and its controlled entities (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Carnarvon Petroleum Limited (the company) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of Carnarvon Petroleum Limited and its controlled entities' financial position as at 31 December 2012 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Carnarvon Petroleum Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Carnarvon Petroleum Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Crowe Horwath Perth
CROWE HORWATH PERTH

Seán MCGURK

SEAN MCGURK
Partner

Signed at Perth, 26 February 2013