



CARNARVON
PETROLEUM N.L.
ACN 002 688 851

29 January 2003

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Dear Sirs,

QUARTERLY REPORT FOR DECEMBER 2002

Please find attached Carnarvon Petroleum NL's Mining Exploration Entity Quarterly Report for the quarter ended 31 December 2002 incorporating:

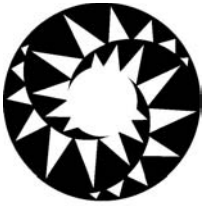
- Report on activities for the December 2002 quarter (4 pages); and
- Appendix 5B (5 pages).

Yours faithfully,
CARNARVON PETROLEUM NL

Leonard Troncone
Company Secretary

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REPORT FOR DECEMBER 2002 QUARTER

HIGHLIGHTS

- Three wells (WB-N4, N5, and N6) were successfully drilled during October 2002 as part of the Phase II development of the Company's 40% owned Wichian Buri Oilfield. All three wells encountered oil in the proved producing F Sandstone as well as in two additional intervals, the E and G Sandstones.
- Testing of the three wells began upon completion of the drilling campaign to test for reservoir and well parameters and to determine the optimal well design and facilities configuration.
- The F Sandstone interval for each of the three new wells was brought into production and operations are continuing to optimise sustainable production levels. The E and G Sandstone intervals are expected to be brought into production during the first quarter of 2003.
- Remedial work such as de-sanding was conducted during December 2002 in the Phase I and older wells so as to maintain production levels.
- Planning for Phase III, the next stage of field development, is currently underway by the SW1A JV partners. The timing for Phase III drilling is later this year. The operations are planned to include exploration drilling in Block L44/43 immediately to the north of the existing production licences.
- The SW1A JV results for December 2002 demonstrate the Wichian Buri Oilfield's capacity to generate strong cash flows and profits.
- The annual general meeting of the Company was held on 14 November 2002.

EXPLORATION & DEVELOPMENT ACTIVITIES

SW1A Concession – Thailand (Carnarvon 40%)

The Phase II development wells, WB-N4, N5 and N6, were drilled during October 2002. All three wells encountered the proved oil bearing F Sandstone reservoir as prognosed. The positive results were enhanced by the discovery of new reservoirs including two new oil bearing zones in Wichian Buri, the E and G Sandstones. In addition, oil was discovered in a deeper interval of a separate fault block, Huai Phai, which is a separate but adjacent structure to Wichian Buri within Production Licence 2 (PL2). This find bodes well for the Huai Phai prospect which will be drilled later this year to test the extent of the reservoir and potentially to be brought into production.

Extensive testing of the new wells was initiated to evaluate reservoir and well parameters, and to determine the optimal well design and facilities configuration. The initial results from natural flow testing confirmed the improved quality of the reservoir in the Phase II wells. The testing methodology is also aimed at matching the pump and valve components to the reservoir properties and fluid characteristics so as to maximise oil production rates. The production testing is continuing and aims to determine optimal sustainable production levels. Upon completion of the production tests of the proved F Sandstone reservoir from the Phase II wells, testing of the E and G Sandstones will be initiated.

Remedial workovers of several of the pre-Phase II production wells were also conducted during December 2002 and in January 2003. This is a normal cyclical oilfield process and the workovers were carried out successfully with all wells brought back into production.

In December the Oilfield produced at an average rate of 332 BOPD. The Operator is taking steps such as upgrading the jet pumps to increase production from existing wells to its stated target of 700 BOPD. The production rate for December was achieved despite extensive well downtime resulting from the need to shut in producing wells for the current facilities optimisation of the Phase II wells (WB-N4, N5 and N6), and for workovers. Both WB-1 and WB-N2 required sand cleanouts but are now back onstream at improved well rates.

As part of the Phase II program, WB-N2 and N3 were hydraulically fractured with output increasing by some 50% over pre-fraced levels. Subsequently, the sand cleanout of WB-N2 has also improved production and a similar operation is planned for WB-N3.

Upon completion of the current Phase II testing, the Wichian Buri Oilfield's reserves will be re-evaluated for the F Sandstone and will be later augmented to include the E and G Sandstones. It is anticipated that calculated reserves will increase significantly.

The SW1A JV partners are discussing options for the further development of the Wichian Buri Oilfield. This includes Phase III drilling which will target all the discovered intervals plus the drilling of the Huai Phai prospect. A step-out exploration well to the north in Exploration Block L44/43 is also being considered which would provide the basis for applying for a third production licence area. At this stage, the timing for Phase III has not been finalised but it is expected to commence in the latter part of Q2 or early Q3 this calendar year. The Operator is in ongoing discussions to use the same drilling rig and crew that were used so successfully in Phase II.

Carnarvon Basin (Western Australia)

EP 110 (Carnarvon 25.8585%)

This permit is located onshore/offshore at Onslow, Western Australia, and is adjacent to the Tubridgi Gas Field. The Operator, Gulliver Productions, has successfully renegotiated the outstanding work obligations deferring the need to drill a well from late 2002 until 2005/2006. The 2003 work program now consists of reprocessing offshore data at an expected total cost of some \$50,000. The proximity to Tubridgi will make the economics very attractive and reduce the time required to bring on stream a new discovery.

Papuan Basin (Papua New Guinea)

PRL 4 and PRL 5 including the Stanley, Elevala, and Ketu discoveries. (Carnarvon 15%)

These licenses are located in the foreland of the Papuan Basin in Papua New Guinea near the port town of Kiunga on the Fly River. Three gas/condensate discoveries were made in the old PPL 157 and are now retained in the Production Retention Licenses (PRLs) 4 and 5.

Total reserves are estimated to be in the order of 1 trillion cubic feet of gas and about 50 million barrels of condensate based on estimates made by the permit's Operator, Santos Niugini Exploration Limited. There are a number of options for development of this proved oil and gas field, one of which would be based on a spur pipeline to link into the proposed pipeline from PNG to Queensland. However, the timing for commercialising this valuable resource remains unclear due in part to the uncertainty in the timing of the PNG to Queensland pipeline.

CORPORATE

The annual general meeting of shareholders was held on 14 November 2002. Of the six resolutions originally included in the notice of meeting, only three were put to shareholders and they were approved unanimously. They related to:

- The re-election of Mr Andrew Shelton as a director of the Company;
- The re-election of Mr David Orth as a director of the Company; and
- The conversion of the Company into a company limited by shares, change the name of the Company to Carnarvon Petroleum Limited and adopt a new modernised constitution.

The December 2002 financial results for the SW1A JV were encouraging and clearly demonstrate that the development of the Wichian Buri Oilfield is capable of producing substantial cash flows and profits for the JV partners. The results for December 2002 are summarised as follows and are expressed in US\$ for 100% of the JV:

Production rate	332 BOPD
Revenue	US\$215,000
Average sale price	US\$23.90/bbl
Thai government royalty	US\$11,000
Cash costs (pre-Gemini royalty)	US\$100,000
Cash profit (pre-Gemini royalty)	US\$104,000

Most of the JV costs are fixed and the December results illustrate the high profit margins which can be generated. The field's margins are expected to improve significantly as production levels increase from those experienced in December which were achieved despite the shut-in of wells for workovers and the intermittent availability of the new Phase II wells during the testing period. In particular, the output of Phase II wells is expected to increase upon completion of the current testing which is aimed at fine-tuning surface and below-ground production equipment.

The average sale price for Wichian Buri crude oil is expected to improve during the current quarter reflecting the impact of recent increases in the benchmark crude oil prices which form the basis for deriving the price for Wichian Buri oil.

For and on behalf of
CARNARVON PETROLEUM NL

29 January 2003

Enquiries can be directed to:

Ken Tregonning on 03 9824 2104
or Len Troncone on 08 9288 4522.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

CARNARVON PETROLEUM NL

ABN

60 002 688 851

Quarter ended ("current quarter")

31 DECEMBER 2002

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	257	397
1.2 Payments for (a) exploration and evaluation	(1)	(4)
(b) development	(1,303)	(1,713)
(c) production	(248)	(426)
(d) administration	(487)	(927)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	8
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(1,780)	(2,665)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(36)	(37)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(36)	(37)
1.13 Total operating and investing cash flows (carried forward)	(1,816)	(2,702)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,816)	(2,702)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	1,830
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Funding for development activities	-	1,474
	Net financing cash flows	-	3,304
	Net increase (decrease) in cash held	(1,816)	602
1.20	Cash at beginning of quarter/year to date	2,884	467
1.21	Exchange rate adjustments to item 1.20	-	(1)
1.22	Cash at end of quarter	1,068	1,068

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	117
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors' remuneration: \$107,000 Directors' consultancy fees: \$10,000

Non-cash financing and investing activities N/A

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available N/A

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	10
4.2 Development	140
Total	150

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	26	78
5.2 Deposits at call	1,042	2,806
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,068	2,884

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2	Block L44/43	Exploration Block L44/43, onshore Central Thailand	-	40%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	171,591,623	171,591,623		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	- -	- -	- -	- -
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	10,000,000	0	<i>Exercise price</i> 20 cents	<i>Expiry date</i> 31 December 2003
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	37,485,577	37,485,577	20 cents	31 December 2002
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:*Leonard Troncone*..... Date: ..29 January 2003.....
(~~Director~~/Company secretary)

Print name: .L Troncone.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.