



CARNARVON
PETROLEUM
LIMITED
ACN 60 002 688 851

12 March 2003

Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
20 Bond Street
SYDNEY NSW
Via ASX Online

Market Information Services Section
New Zealand Stock Exchange
Caltex Tower
286 – 292 Lambton Quay
WELLINGTON NZ
Via Email

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Dear Sirs,

HALF-YEAR ACCOUNTS – 31 DECEMBER 2002

Please find attached Carnarvon Petroleum Limited's half-year accounts for the period ended 31 December 2002. A signed copy of the half-year report is held on file by the Company.

Yours faithfully,
CARNARVON PETROLEUM LIMITED

Leonard Troncone
Company Secretary

CARNARVON PETROLEUM LIMITED

ABN 60 002 688 851

HALF-YEAR REPORT

31 DECEMBER 2002

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CORPORATE DIRECTORY

Directors

AG Shelton - *Non-Executive Chairman*
KC Tregonning - *Managing Director & C.E.O.*
DJ Orth - *Executive Director*
NC Fearis - *Non-Executive Director*

Company Secretary

L Troncone

Principal and Registered Office

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Share Registry – Australia

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St. George's Terrace,
Perth, Western Australia 6000
Telephone +61 8 9323 2000
Facsimile +61 8 9323 2033

Share Registry – New Zealand

Registry Managers (NZ) Ltd
Private Bag 92119
Auckland 1030
Telephone +64 09 522 0022
Facsimile +64 09 522 0058

Stock Exchange Listing

Carnarvon Petroleum Limited is listed on both
the Australian and New Zealand Stock Exchanges

Australian Stock Exchange Code: CVN
New Zealand Stock Exchange Code: CVN

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2002.

Directors

The names and details of the directors of the Company in office during the half-year and until the date of this report are:

Andrew Shelton (Chairman)
Neil Fearis
David Orth
Kenneth Tregonning

Directors were in office for the entire period unless otherwise stated.

REVIEW OF RESULTS AND OPERATIONS

During the half-year ended 31 December 2002 Carnarvon Petroleum Limited and its controlled entities incurred an operating loss after tax of \$773,996 and a net increase in cash of \$602,544 of which \$1,830,501 was generated through capital raising initiatives, \$1,473,704 was raised through a royalty arrangement to fund a development program, and \$1,712,890 was expended on exploration and development activities, predominantly in the SW1A Concession in Thailand in which the Company has a 40% interest.

During the half-year period, the Company and its SW1A Joint Venture partner, drilled three development wells as part of the Phase II development program of the Wichian Buri Oilfield. All three wells encountered oil in the proved producing F Sandstone formation, as well as in two additional intervals, the E & G Sandstones. These latter two intervals will be tested at a later stage.

The F Sandstone interval for each of the three new production wells was brought into production and operations are continuing to optimise sustainable production levels. Remedial work such as de-sanding was conducted in the Phase I and older wells so as to maintain production levels.

Summarised Financial Results

	6 months to 31 Dec 2002 \$	6 months to 31 Dec 2001 \$
The consolidated loss after tax for the consolidated entity was	(773,996)	(812,774)
This loss included:		
- revenue from ordinary activities	516,763	571,286
- other revenue from ordinary activities	7,515	215,666

Signed in accordance with a resolution of the directors.

NC Fearis
DIRECTOR

Perth, 11 March 2003

CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
HALF-YEAR ENDED 31 DECEMBER 2002

	Notes	Consolidated 31 Dec 2002 \$	Consolidated 31 Dec 2001 \$
Revenues from ordinary activities	2(a)	516,763	571,286
Cost of sales	2(b)	(438,517)	(418,256)
Other revenues from ordinary activities	2(c)	7,515	215,266
Exploration expenses	2(d)	(4,277)	(2,507)
Other expenses from ordinary activities	2(d)	(823,112)	(881,106)
Unrealised foreign exchange loss on monetary items and capitalised exploration and development expenditure	2(e)	(32,368)	(297,857)
		<hr/>	<hr/>
Loss from ordinary activities before income tax expense		(773,996)	(812,774)
Income tax expense relating to ordinary activities		-	-
		<hr/>	<hr/>
Loss from ordinary activities after income tax attributable to members of Carnarvon Petroleum Limited and recognised directly in equity		(773,996)	(812,774)
		<hr/>	<hr/>
Basic earnings per share (cents per share)		(0.5)	(0.9)
Diluted earnings per share (cents per share)		(0.5)	(0.9)

CONDENSED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2002

	Notes	Consolidated 31 Dec 2002 \$	Consolidated 30 June 2002 \$
CURRENT ASSETS			
Cash assets		1,068,567	466,928
Inventories		132,362	65,558
Receivables		219,438	107,963
Prepayments and other assets		216,015	55,495
TOTAL CURRENT ASSETS		<u>1,636,382</u>	<u>695,944</u>
NON-CURRENT ASSETS			
Receivables		242,665	222,565
Other financial assets		282,876	282,876
Plant and equipment		102,144	90,007
Deferred exploration evaluation and development costs		4,197,765	3,964,997
TOTAL NON-CURRENT ASSETS		<u>4,825,450</u>	<u>4,560,445</u>
TOTAL ASSETS		<u>6,461,832</u>	<u>5,256,389</u>
CURRENT LIABILITIES			
Payables		547,392	399,099
Provisions		5,659	5,014
TOTAL CURRENT LIABILITIES		<u>553,051</u>	<u>404,113</u>
TOTAL LIABILITIES		<u>553,051</u>	<u>404,113</u>
NET ASSETS		<u>5,908,781</u>	<u>4,852,276</u>
EQUITY			
Contributed equity		42,124,094	40,293,593
Accumulated losses		(36,215,313)	(35,441,317)
TOTAL EQUITY		<u>5,908,781</u>	<u>4,852,276</u>

CONDENSED STATEMENT OF CASH FLOWS
HALF-YEAR ENDED 31 DECEMBER 2002

	Notes	Consolidated 31 Dec 2002 \$	Consolidated 31 Dec 2001 \$
Cash Flows From Operating Activities			
Receipts from customers		397,388	611,123
Payments to suppliers and employees		(1,290,786)	(1,893,955)
Interest received		7,515	10,750
Exploration costs		(4,277)	(2,507)
Goods and services tax paid		(61,981)	(84,520)
Net Cash Flows Used In Operating Activities		(952,141)	(1,359,109)
Cash Flows From Investing Activities			
Payments for exploration and development expenditure		(1,712,890)	(429,301)
Contribution for development expenditure		1,473,704	-
Proceeds from sale of permits		-	204,828
Purchase of plant and equipment		(36,630)	(64,377)
Proceeds from sale of plant and equipment		-	7,094
Net Cash Flows Used In Investing Activities		(275,816)	(281,756)
Cash Flows From Finance Activities			
Proceeds from issue of securities		1,977,075	1,949,749
Payments for capital raising costs		(146,574)	(105,234)
Net Cash Flows From Financing Activities		1,830,501	1,844,515
Net Increase In Cash Held		602,544	203,650
Add opening cash brought forward		466,928	788,519
Effects of exchange rate changes on opening cash		(905)	847
Closing Cash Carried Forward		1,068,567	993,016

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2002**

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Carnarvon Petroleum Limited as at 30 June 2002. It is also recommended that the half-year financial report be considered together with any public announcements made by Carnarvon Petroleum Limited and its controlled entities during the half-year ended 31 December 2002 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year financial report has been prepared in accordance with the historical cost convention.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The accounting policies adopted are consistent with those of the previous financial year.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2002

	Consolidated 31 Dec 2002 \$	Consolidated 31 Dec 2001 \$
2 OPERATING LOSS		
(a) Revenues from oil and gas operations		
Sales revenue		
Oil-SW1A Concession	516,763	571,286
Total revenues from oil and gas operations	<u>516,763</u>	<u>571,286</u>
(b) Cost of sales		
Production	(152,681)	(194,238)
Royalty and excise	(71,257)	(28,333)
Transportation	(35,167)	(47,440)
Selling, general and administration	(179,412)	(148,245)
Total cost of sales	<u>(438,517)</u>	<u>(418,256)</u>
(c) Other revenues from ordinary activities		
Interest – other persons/corporations	7,515	10,750
Profit from sale of exploration permits	-	204,828
Other	-	88
Total other revenues from ordinary activities	<u>7,515</u>	<u>215,666</u>
(d) Other expenses from ordinary activities		
Exploration costs incurred and expensed	<u>(4,277)</u>	<u>(2,507)</u>
Corporate administration costs:		
Administration	(705,772)	(731,239)
Amortisation of exploration and development costs	(7,322)	(24,529)
Depreciation – plant and equipment	(24,493)	(14,382)
Loss on sale of non-current assets	-	(50)
Provision for non-recovery – employee share loans	23,820	(41,685)
Rental of premises	(109,345)	(69,221)
Total corporate administration costs	<u>(823,112)</u>	<u>(881,106)</u>
(e) Gains/(Losses)		
Unrealised foreign exchange gain/(loss) on translation of integrated subsidiary	<u>(32,368)</u>	<u>(297,857)</u>

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2002

3 SEGMENT INFORMATION

Geographical Segments

	Australia		Thailand		Papua New Guinea		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Sales to customers outside the consolidated entity	-	-	516,763	571,286	-	-	516,763	571,286
Other revenue from customers outside the consolidated entity	7,515	215,666	-	-	-	-	7,515	215,666
Total segment revenue	7,515	215,666	516,763	571,286	-	-	524,278	786,952
Results								
Segment result	(820,743)	(928,768)	51,024	118,501	(4,277)	(2,507)	(773,996)	(812,774)

The consolidated entity operated predominantly in the exploration for, and production of, oil and gas in Australia, Thailand and Papua New Guinea.

4 CONTINGENT ASSETS AND LIABILITIES

Since the last annual report date, there has been no material change of any contingent liabilities or contingent assets.

5 ROYALTY ARRANGEMENT

During the current half-year, the Company entered into a royalty arrangement with Gemini Oil & Gas Limited (Gemini), whereby Gemini provided US\$800,000 to the Company to assist it with funding its share of development activities at the Company's 40% owned Wichian Buri Oil Field, onshore in central Thailand. Gemini will earn a royalty stream on the Company's 40% share of oil produced from the F Sandstone formation within Production Licenses 1 and 2. The initial royalty rate applicable is 12.5% and will be reduced to 7.5% once Gemini has received the value of its original investment.

**DIRECTORS' DECLARATION
31 DECEMBER 2002**

In accordance with a resolution of the directors of Carnarvon Petroleum Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 December 2002 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

NC Fearis
DIRECTOR

Perth, 11 March 2003

INDEPENDENT REVIEW REPORT

To the members of Carnarvon Petroleum Limited

Scope

We have reviewed the financial report of Carnarvon Petroleum Limited for the half-year ended 31 December 2002, set out on pages 4 to 11, including the Directors' Declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising Carnarvon Petroleum Limited and the entities it controlled at the end of the half-year or from time to time during the half-year. The Company's directors are responsible for the financial report. We have conducted an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements and statutory requirements in Australia, and in order for the Company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review was limited primarily to inquiries of the disclosing entity's personnel and analytical review procedures applied to financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review Statement

As a result of our review, we have not become aware of any matter that makes us believe that the half-year financial report of Carnarvon Petroleum Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2002 and its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Ernst & Young

P Fry
Partner

Perth

Date: 11 March 2003