

**ASX APPENDIX 4D
RESULTS FOR ANNOUNCEMENT TO THE MARKET
LISTING RULE 4.2A.3
HALF YEAR FINANCIAL REPORT TO 31 DECEMBER 2010**

	6 months to 31 December 2010	6 months to 31 December 2009	% change
	\$000	\$000	
Sales revenue	35,948	31,642	13.6%
Net profit for the period	4,792	7,440	(35.6%)
Net profit attributable to members	4,792	7,440	(35.6%)

Explanation of results

The Group's net profit after tax from continuing operations for the half year ending 31 December 2010 was \$4,792,000 (2009: \$7,440,000). The net profit includes drilling costs of \$3,391,000 (2009: \$384,000) relating to the Tuatara well being expensed in the half year and was also impacted by a charge to profit of \$3,916,000 (2009: \$1,440,000) resulting predominantly from the translation of Carnarvon's US dollar denominated cash reserves.

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

Dividends

	6 months to 31 December 2010	6 months to 31 December 2009
Interim dividend per share	Nil	Nil
Franked amount per share	Not applicable	Not applicable

Net tangible assets per share

	As at 31 December 2010	As at 31 December 2009
Net tangible assets per share (cents per share)	3.6	5.0

Details of associates and joint venture assets

<i>Joint venture</i>	<i>Principal activities</i>	<i>31 December 2010 Ownership interest %</i>	<i>31 December 2009 Ownership interest %</i>	<i>31 December 2010 Net profit \$000</i>	<i>31 December 2009 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%	14,890	12,026
Exploration Block L20/50, 7/2551/98 Concession	Exploration for hydrocarbons	50%	50%	-	-
Exploration Blocks L52/50 and L53/50 3/2553/105 concession	Exploration for hydrocarbons	50%	-	-	-
<i>Western Australia</i>					
WA-399-P, Carnarvon Basin	Exploration for hydrocarbons	13%	50%	-	-
WA-435-P, WA-436-P, WA-437-P, WA 438-P, Roebuck Basin	Exploration for hydrocarbons	50%	50%	-	-
WA-443-P, Roebuck Basin	Exploration for hydrocarbons	100%	-	-	-
<i>Indonesia</i>					
Rangkas, West Java Basin	Exploration for hydrocarbons	25%	25%	-	-

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

**INTERIM FINANCIAL REPORT
31 DECEMBER 2010**

CORPORATE DIRECTORY

Directors

PJ Leonhardt (Chairman)
EP Jacobson (Chief Executive Officer)
NC Fearis (Non-Executive Director)
KP Judge (Non-Executive Director) (retired 15 July 2010)
W Foster (Non-Executive Director) (appointed 17 August 2010)

Company Secretary

RA Anderson

Auditors

Crowe Horwath Perth Audit Partnership

Bankers

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

Registered Office

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Telephone: +61 8 9321 2665
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Email: admin@cvn.com.au
Website: www.carnarvon.com.au

Thailand Office

Unit 159, Level 25
184 Forum Tower
Ratchadapisek Rd, Huay Khwang
Bangkok 10320 Thailand

Share Registry

Computershare Investor Services Pty Limited
Level 2
45 St Georges Terrace
Perth, WA 6000 Australia

Investor Enquiries: 1300 557 010 (within Australia)
Investor Enquiries: +61 3 9415 4000 (outside Australia)
Facsimile: +61 8 9323 2033

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 2010, 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
Edward (Ted) Jacobson
Neil Fearis
Kenneth Judge (retired 15 July 2010)
William (Bill) Foster (appointed 17 August 2010)

Review of operations

The Group's primary assets are the 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"). Carnarvon has a 40%, non-operator, interest in these assets which are located in seven separate production licenses arising from the SW1A, L33/43 and L44/43 exploration permits. An application for an eighth production license is anticipated to be approved in the March 2011 quarter.

The Joint Venture's drilling activities during the period included three new oil pool discoveries (at L33-1, L33-2 and WBEXT) from fifteen wells drilled during the half year. During the period the Joint Venture's focus was appraisal drilling around the new oil pool discoveries. This successful appraisal programme resulted in an independent assessment of 10.3 million bbls of contingent resources, at a 2C confidence level, net to Carnarvon for the WBExt and L33-1 and L33-2 oil fields.

Production has been recently impacted by the timing and quantum of production from new wells, natural field decline, wells being shut in during production test periods and wells being shut-in pending approval of production licenses. Near term production increases are anticipated upon the granting of the WBEXT production license and from continuous drilling and testing elsewhere within the L33/43 and L44/43 exploration permits.

Gross Joint Venture oil sales during the half-year increased to 1,219,858 bbls (2009: 1,075,985 bbls) as a result of production from new development wells.

The Group's share of revenue from oil sales was \$35,948,000 (2009: \$31,642,000). The increase from the previous corresponding period was the result of the increase in oil sales volume outlined above together with a higher average sale price achieved of US\$69.22 bbl (2009: US\$64.02 bbl) and was offset by a strengthening Australian dollar against the US dollar, from an average 0.87 in the corresponding period to 0.94 in the half-year.

The Group's net profit after tax from continuing operations for the half year ending 31 December 2010 was \$4,792,000 (2009: \$7,440,000). The net profit includes drilling costs of \$3,391,000 (2009: \$384,000) relating to the Tuatara well being expensed in the half year and was also impacted by a charge to profit of \$3,916,000 (2009: \$1,440,000) resulting predominantly from the translation of Carnarvon's US dollar denominated cash reserves. Amortisation of oil & gas assets during the half year was \$3,656,000 (2009: \$3,253,000). The increase in the Amortisation expense was due to the increase in production. The Group's net profit is likely to continue to be impacted by the translation of US dollar denominated cash holdings in future reporting periods.

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

As outlined at the Company's Annual General Meeting, the business is building its organisational capabilities in preparation for its planned future activities. These initiatives have had and will continue to have an impact on net profit before the benefits of the initiatives result in commercial discoveries.

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Carnarvon commenced 3D and 2D seismic acquisition programmes in the Phoenix blocks in Western Australia. 2D seismic data acquisition in the Rangkas PSC in Indonesia also commenced during the December 2010 half year. These programmes are expected to be completed in early 2011.

The December 2010 half year has been an active period for the Company. The Company is in a strong position with its substantial cash and cash flows from Thailand production and its forward exploration, appraisal and development drilling programme across multiple permits and licences in three diverse geographic regions.

Subsequent events

No matter or circumstance has arisen since 31 December 2010 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

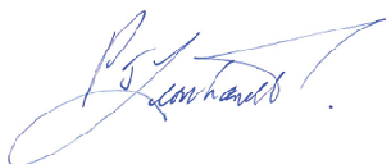
Rounding of amounts

The company is of a kind referred to in Class Order 98/0100 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 2010.

Signed in accordance with a resolution of the directors.



PJ Leonhardt
Director

Perth
23 February 2011

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 2010, 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.

CROWE HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL
Partner

Perth, WA

Dated this 23rd day of February 2011

CARNARVON PETROLEUM LIMITED
31 DECEMBER 2010 INTERIM FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Half-year 31 December 2010 \$000	Half-year 31 December 2009 \$000
Continuing operations		
Revenue	35,948	31,642
Cost of sales	(11,771)	(9,960)
Gross profit	24,177	21,682
Administrative expenses	(792)	(914)
Employee benefits expense	(1,072)	(644)
Directors' fees	(107)	(112)
Unrealised foreign exchange (loss)	(3,916)	(1,144)
Travel related costs	(101)	(112)
Share based payments	(207)	(631)
New venture expenditure written off	(410)	(656)
Exploration expenditure written off	(3,391)	(384)
Results from operating activities	14,181	17,085
Finance income	47	33
Finance costs	-	(2)
Net finance income	47	31
Profit before taxes	14,228	17,116
Taxes		
Deferred income tax expense	(1,740)	(3,264)
Income tax expense	(5,291)	(4,763)
	(7,031)	(8,027)
Special remuneratory benefit	(2,405)	(1,649)
Total taxes	(9,436)	(9,676)
Net profit for the period from continuing operations	4,792	7,440
Basic earnings per share from continuing operations (cents per share)	0.7	1.1
Diluted earnings per share from continuing operations (cents per share)	0.7	1.1

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Half-year 31 December 2010 \$000	Half-year 31 December 2009 \$000
Net profit for the period from continuing operations	4,792	7,440
Other comprehensive income		
Exchange differences arising in translation of foreign operations	(9,763)	(6,865)
Other comprehensive (loss) / income net of taxes	(9,763)	(6,865)
Total comprehensive income for the period	(4,971)	575

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

CARNARVON PETROLEUM LIMITED
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	31 December	30 June
	2010	2010
	\$000	\$000
Current assets		
Cash and cash equivalents	28,507	30,255
Trade and other receivables	8,492	7,780
Inventories	3,596	4,090
Other assets	309	440
	<hr/>	<hr/>
Total current assets	40,904	42,565
	<hr/>	<hr/>
Non-current assets		
Property, plant and equipment	564	635
Exploration and evaluation	8,062	6,351
Oil and gas assets	70,002	70,176
	<hr/>	<hr/>
Total non-current assets	78,628	77,162
	<hr/>	<hr/>
Total assets	119,532	119,727
	<hr/>	<hr/>
Current liabilities		
Trade and other payables	7,598	5,621
Employee benefits	101	91
Current tax	4,335	6,165
Provisions	4,844	2,172
	<hr/>	<hr/>
Total current liabilities	16,878	14,049
	<hr/>	<hr/>
Non-current liabilities		
Deferred tax	25,046	23,306
	<hr/>	<hr/>
Total non-current liabilities	25,046	23,306
	<hr/>	<hr/>
Total liabilities	41,924	37,355
	<hr/>	<hr/>
Net assets	77,608	82,372
	<hr/>	<hr/>
Equity		
Issued capital	68,240	68,240
Reserves	(12,546)	(2,990)
Retained profits	21,914	17,122
	<hr/>	<hr/>
Total equity	77,608	82,372
	<hr/>	<hr/>

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 2010 INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Issued capital \$000	Retained profits \$000	Translation reserve \$000	Share based payments reserve \$000	Total \$000
Balance at 1 July 2009 (restated)	68,090	2,699	(3,346)	1,131	68,574
Share based payments	8	-	-	627	635
Total comprehensive income	-	7,440	(6,865)	-	575
Balance at 31 December 2009	68,098	10,139	(10,211)	1,758	69,784
Balance at 1 July 2010	68,240	17,122	(4,828)	1,838	82,372
Share based payments	-	-	-	207	207
Total comprehensive income	-	4,792	(9,763)	-	(4,971)
Balance at 31 December 2010	68,240	21,914	(14,591)	2,045	77,608

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 2010

	Half-year 31 December 2010 \$000	Half-year 31 December 2009 \$000
Cash flows from operating activities		
Receipts from customers and GST recovered	37,520	33,827
Payments to suppliers and employees	(14,772)	(12,301)
Income and special remuneratory benefit taxes paid	(6,171)	(4,591)
Interest received	50	45
Net cash flows provided by operating activities	<u>16,627</u>	<u>16,980</u>
Cash flows from investing activities		
Exploration, evaluation and development expenditure	(18,133)	(17,232)
Acquisition of property, plant and equipment	(123)	(121)
Net cash flows (used in) investing activities	<u>(18,256)</u>	<u>(17,353)</u>
Cash flows from financing activities		
Proceeds from repayment of Employee Share Plan loans	-	10
Sale of property, plant, and equipment	149	19
Payment of share issue costs	-	(7)
Proceeds from sale of exploration asset	350	
Net cash flows from financing activities	<u>499</u>	<u>22</u>
Net (decrease) in cash and cash equivalents	(1,130)	(351)
Cash and cash equivalents at beginning of the half-year	30,255	31,099
Effects of exchange rate fluctuations on cash and cash equivalents	(618)	(2,182)
Cash and cash equivalents at end of the half-year (*)	<u>28,507</u>	<u>28,566</u>

(*) In addition, the Group has \$1,247,000 (June 2010: \$1,432,000) 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 of the Company as at and for the six months ending 31 December 2010 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled assets.

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 shall be read in conjunction with the most recent annual financial report.

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 and financial instruments. Cost is based on the fair values of the consideration given in exchange for 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 98/0100, 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 company's 2010 annual financial report for the financial year ended 30 June 2010, 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 Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

AASB 2009-5 Introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditure on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and have 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 2010 the Group had entered into capital commitments for \$429,000 (December 2009: \$965,000).

5. Equity securities issued

	31 December 2010 Shares	31 December 2009 Shares
<i>Issue of ordinary shares during the half-year</i>		
Shares issued under the Employee Share Plan	1,061,000	1,425,000
	<u>1,061,000</u>	<u>1,425,000</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 2010 \$000	Half-year ending 31 December 2009 \$000
Thailand	35,915	31,652
Australia	33	23
	<u>35,948</u>	<u>31,675</u>

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

Assets by geographical region

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

	As at 31 December 2010 \$000	As at 30 June 2010 \$000
Thailand	99,974	94,488
Australia	17,284	23,792
Indonesia	2,274	1,447
	<u>119,532</u>	<u>119,727</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Subsequent events

No matter or circumstance has arisen since 31 December 2010 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

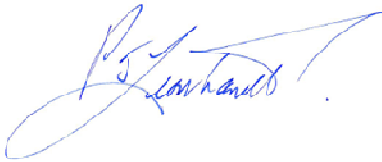
- (i) the Group's operations, or
- (ii) the results of those operations, or
- (iii) the Group's state of affairs

DIRECTORS' DECLARATION

In the opinion of the directors of Carnarvon Petroleum Limited (the "Company"):

- (a) the financial statements and notes as set out on pages 6 to 14 are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the financial position of the Group as at 31 December 2010 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 "*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.

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



PJ Leonhardt
Director

Perth
23 February 2011

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF CARNARVON PETROLEUM LIMITED AND ITS CONTROLLED ENTITIES**

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 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 the Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim 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 financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with the Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Carnarvon Petroleum Ltd 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 other 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:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

CROWE HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL
Partner

Perth, WA

Dated this 23rd day of February 2011