

27 February 2009

Company Announcements Office
ASX Limited

Via ASX Online

Dear Sirs,

DECEMBER 2008 HALF YEAR REPORT AND APPENDIX 4D

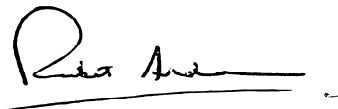
The directors of Carnarvon are pleased to announce a consolidated net profit after tax of \$21.7 million for the half year ended 31 December 2008.

This result further demonstrates the potential of the Phetchabun Basin permits and is testament to the efforts of the Carnarvon team and its joint venture partner, Pan Orient Energy Corp. Oil sales of 1,728,000 bbls in the period (100% basis) compare to 466,000 bbls in the corresponding prior half year.

Consolidated cash balances at 31 December 2008 were \$66.2 million. While Carnarvon has no debt, the balance sheet includes fluctuating working capital and tax provisions, particularly with regard to the timing of tax payments.

The currently uncertain economic climate and the recent fall in the US\$ oil price is expected to create both opportunities and challenges for the Company. As might be expected, while the recently lower oil price is impacting our US\$ revenues it has also resulted in more attractive oil and gas valuations on potential acquisition and farm-in opportunities. With healthy positive cashflow, substantial cash balances, and a conservative capital structure, Carnarvon is well placed to exploit these opportunities.

Yours faithfully
Carnarvon Petroleum Limited



RA Anderson
Company Secretary

**ASX APPENDIX 4D
RESULTS FOR ANNOUNCEMENT TO THE MARKET
LISTING RULE 4.2A.3
HALF YEAR FINANCIAL REPORT TO 31 DECEMBER 2008**

	31 December 2008	31 December 2007	% increase
	\$000	\$000	%
Sales revenue	60,096	14,929	302%
Net profit for the period	21,665	5,126	323%
Net profit attributable to members	21,665	5,126	323%

Explanation of results

Please refer to the commentary included in the Director's Report in the 31 December 2008 half year financial report for an explanation of results.

Dividends

	6 months to 31 December 2008	6 months to 31 December 2007
Interim dividend per share	Nil	Nil
Franked amount per share	Not applicable	Not applicable

Net tangible assets per share

	31 December 2008	31 December 2007
Net tangible assets per share (cents per share)	12.4	6.5

Control gained / lost over entities during the period

There has been no control gained / lost over entities during the period.

Details of associates and joint venture assets

<i>Joint venture</i>	<i>Principal activities</i>	<i>31 December 2008 Ownership interest %</i>	<i>31 December 2007 Ownership interest %</i>	<i>31 December 2008 Net profit \$000</i>	<i>31 December 2007 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%	18,814	6,634
Exploration Block L20/50, 7/2551/98 Concession	Exploration for hydrocarbons	50%	-	-	-
<i>Western Australia</i>					
EP 110 & 424, Carnarvon Basin	Exploration for hydrocarbons	35%	35%	-	-
WA-399-P, Carnarvon Basin	Exploration for hydrocarbons	50%	50%	-	-

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

**INTERIM FINANCIAL REPORT
31 DECEMBER 2008**

CORPORATE DIRECTORY

Directors

PJ Leonhardt (Chairman)
EP Jacobson (Chief Executive Officer)
NC Fearis (Non-Executive Director)
KP Judge (Non-Executive Director)

Company Secretary

RA Anderson

Auditors

WHK Horwath Perth Audit Partnership

Bankers

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

Registered Office

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

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 ASX Limited.

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 2008, 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

Review of operations

The Group's primary assets are the four producing oil fields in central Thailand (Wichian Buri, Na Sanun, Si Thep and Na Sanun East) which, together with associated exploration and appraisal opportunities, make up the Phetchabun Basin Joint Venture. Carnarvon has a 40%, non-operated, interest in these assets which are located in the SW1A, L33/43 and L44/43 production and exploration permits.

A multi-well development programme, to develop the Na Sanun East Oil Field ("NSE") was the primary objective for the Phetchabun Basin Joint Venture for the latter half of 2008. After successfully completing 8 development wells, the late year focus switched to appraisal and exploration drilling.

Appraisal drilling outside of the established 2P reserves area was also successful, with several wells being tested at commercial rates. Areas previously captured within 3P and Contingent Resource definitions have now been successfully delineated as producing zones.

During the half-year a total of 10 wells were successfully completed as production wells, allowing for an increase in average quarterly flow rates over the half-year from 2,600 bopd to 4,650 bopd.

Phetchabun Basin Joint Venture oil sales during the half-year increased to 1,728,477 bbls (2007: 466,266 bbls) as a result of this successful drilling.

The Group's share of revenue from oil sales was \$60,096,000 (2007: \$14,929,000), a significant increase from the previous corresponding period. The average sale price achieved decreased marginally to US\$69 bbl (2007: US\$70 bbl) despite a major price spike in the intervening period.

The Group's net profit after tax from continuing operations was \$21,665,000 (2007: \$5,126,000). The increased profit primarily reflects higher production together with reduced operating costs per bbl.

No significant operations were carried out, or expenditure made, during the period on exploration assets outwith the Phetchabun Basin Joint Venture.

The currently uncertain economic climate and the recent fall in the US\$ oil price is expected to create both opportunities and challenges for the Company. As might be expected, while the recently lower oil price is impacting our US\$ revenues it has also resulted in more attractive oil and gas valuations on potential acquisition and farm-in opportunities. With healthy positive cashflow, substantial cash balances, and a conservative capital structure, Carnarvon is well placed to exploit these opportunities.

Subsequent events

No matter or circumstance has arisen since 31 December 2008 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

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 the directors' report for the half-year ended 31 December 2008.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'PJ Leonhardt', with a large, sweeping flourish at the end.

PJ Leonhardt
Director


Perth
27 February 2009

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 and its controlled entities (the consolidated entity) for the half year ended 31 December 2008, 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.

WHK HORWATH PERTH AUDIT PARTNERSHIP



SEAN MCGURK
Principal

Perth, WA

Dated this 27th day of February 2009

CARNARVON PETROLEUM LIMITED
31 DECEMBER 2008 INTERIM FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT
For the half-year ended 31 December 2008

	31 December 2008 \$000	31 December 2007 \$000
Revenue from continuing operations	60,096	14,929
Other income	510	190
Cost of sales	(12,454)	(4,081)
Administrative expenses	(871)	(516)
Employee benefits expense	(345)	(232)
Directors' fees	(100)	(83)
Foreign exchange gain	2,410	674
Other expenses	(132)	(50)
Share based payments	(122)	-
Exploration and new venture expenditure written off	(524)	(767)
Finance costs	-	(6)
	<hr/>	<hr/>
Profit before income taxes	48,468	10,058
Taxes		
Special remuneratory benefit	(10,409)	-
Income tax expense	(16,394)	(4,932)
	<hr/>	<hr/>
Profit attributable to members of the parent entity	21,665	5,126
	<hr/>	<hr/>
Basic earnings per share from continuing operations (cents per share)	3.2	0.8
Diluted earnings per share from continuing operations (cents per share)	3.2	0.8

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

CARNARVON PETROLEUM LIMITED
31 DECEMBER 2008 INTERIM FINANCIAL REPORT

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	31 December 2008 \$000	30 June 2008 \$000
Current assets		
Cash and cash equivalents	66,238	28,281
Trade and other receivables	12,054	12,443
Inventories	4,399	1,586
Other assets	534	299
Total current assets	<u>83,225</u>	<u>42,609</u>
Non-current assets		
Property, plant and equipment	437	172
Exploration and evaluation	509	379
Oil and gas assets	47,075	23,124
Total non-current assets	<u>48,021</u>	<u>23,675</u>
Total assets	<u>131,246</u>	<u>66,284</u>
Current liabilities		
Trade and other payables	8,476	3,368
Provision for tax	41,359	24,152
Employee benefits	21	13
Total current liabilities	<u>49,856</u>	<u>27,533</u>
Non-current liabilities		
Deferred tax	9,485	3,738
Total non-current liabilities	<u>9,485</u>	<u>3,738</u>
Total liabilities	<u>59,341</u>	<u>31,271</u>
Net assets	<u>71,905</u>	<u>35,013</u>
Equity		
Issued capital	66,738	66,738
Reserves	9,016	(6,211)
Accumulated (losses)	(3,849)	(25,514)
Total equity	<u>71,905</u>	<u>35,013</u>

The consolidated balance sheet should be read in conjunction with the notes to the consolidated interim financial report.

CARNARVON PETROLEUM LIMITED
31 DECEMBER 2008 INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2008

	Issued capital \$	Accumulated Losses \$	Translation reserve \$	Share based payments reserve \$	Total \$
Balance at 1 July 2007	65,041	(41,688)	(3,383)	1,487	21,457
Shares issued, on exercise of options, net of transaction costs	496	-	-	-	496
Exchange differences on translation of foreign operations	-	-	(537)	-	(537)
Share based payments	301	-	-	(301)	-
Profit attributable to members of parent entity	-	5,126	-	-	5,126
Balance at 31 December 2007	65,838	(36,562)	(3,920)	1,186	26,542
Balance at 1 July 2008	66,738	(25,514)	(7,437)	1,226	35,013
Exchange differences on translation of foreign operations	-	-	15,105	-	15,105
Share based payments	-	-	-	122	122
Profit attributable to members of parent entity	-	21,665	-	-	21,665
Balance at 31 December 2008	66,738	(3,849)	7,668	1,348	71,905

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

CARNARVON PETROLEUM LIMITED
31 DECEMBER 2008 INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2008

	31 December 2008 \$000	31 December 2007 \$000
Cash flows from operating activities		
Receipts from customers and GST recovered	69,637	5,616
Payments to suppliers and employees	(20,069)	(2,159)
Income and SRB taxes paid	(10,682)	-
Interest received	594	172
Net cash flows provided by operating activities	<u>39,480</u>	<u>3,629</u>
 Cash flows from investing activities		
Exploration, evaluation and development expenditure	(12,164)	(8,575)
Acquisition of property, plant and equipment	(211)	(53)
Net cash flows (used in) investing activities	<u>(12,375)</u>	<u>(8,628)</u>
 Cash flows from financing activities		
Proceeds from issue of share capital	-	500
Sale of property, plant, and equipment	1	-
Payment of share issue costs	-	(4)
Net cash flows from financing activities	<u>1</u>	<u>496</u>
 Net increase / (decrease) in cash and cash equivalents	27,106	(4,503)
 Cash and cash equivalents at beginning of the half-year	28,281	8,927
Effects of exchange rate fluctuations on cash and cash equivalents	10,851	(75)
 Cash and cash equivalents at end of the half-year	<u>66,238</u>	<u>4,349</u>

In addition, the consolidated entity has \$3,735,000 (June 2008: \$3,156,000) 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 2008 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled assets.

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: "*Interim Financial Reporting*", Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with IAS 34 in its entirety.

The consolidated interim financial report does not include all of the information required in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the annual financial report. It is recommended that this financial report be read in conjunction with the annual financial report as at and for the year ended 30 June 2008 and any public announcements made by Carnarvon Petroleum Limited during or since the end of the half year in accordance with continuous disclosure requirements arising under the Corporations Act.

3. Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2008.

4. 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.

5. Property plant and equipment

Capital commitments

As at 31 December 2008 the Group had entered into capital commitments for \$5,436,000 (31 December 2007: \$383,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Segment information

During the half-year the Group operated predominantly in two geographical segments for primary reporting, being Australia and Thailand.

The geographical segments operate predominately in one business segment, oil and gas exploration, evaluation, development, and production.

Primary reporting format – geographical segments

	Australia		Thailand		Consolidated	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Segment revenue	128	138	60,478	14,981	60,606	15,119
Segment result, continuing operations	2,851	(1,508)	18,814	6,634	21,665	5,126

7. Related parties

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the 30 June 2008 annual financial report.

8. Subsequent events

No matter or circumstance has arisen since 31 December 2008 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

9. Equity securities issued

	31 Dec 2008		31 Dec 2007	
	Shares	\$000	Shares	\$000
<i>Issue of ordinary shares during the half-year</i>				
Shares issued under the Employee Share Plan	750,000	-	-	-
Shares issued on exercise of options, net of transaction costs	-	-	5,000,000	496
	<u>750,000</u>	<u>-</u>	<u>5,000,000</u>	<u>496</u>

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 11 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 2008 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
27 February 2009

**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 balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement 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 (including the Australian Accounting Interpretations) 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 2008 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 2008 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.

WHK HORWATH PERTH AUDIT PARTNERSHIP



SEAN MCGURK
Principal

Perth, WA

Dated this 27th day of February 2009

Total Financial Solutions