

Half Year Financial Results



24 FEBRUARY 2014

Carnarvon Petroleum Limited (ASX:CVN) (Carnarvon) is pleased to provide shareholders with the Half Year Financial Report to 31 December 2013.

Highlights

- Sales revenue was \$9.6 million resulting in a Gross Profit of \$2.9 million.
- The Results from Operating Activities includes an operating profit of \$0.5 million and exploration expenditure written off of \$4.9 million.
- The reported Net Loss after tax for the period was \$4.1 million.

During the Half Year Carnarvon's share of oil production in Thailand was 94,760 barrels (2012: 97,776 barrels) that were sold at an average \$101.78 per barrel (2012: \$94.33 per barrel). Carnarvon and its partner in Thailand continued working on plans during the period to increase production levels with drilling activities recently re-commencing.

In February 2014 Carnarvon advised the Thailand authorities of its intention to withdraw from the L52/50 and L53/50 Exploration Concessions in Southern Thailand and expensed the accumulated costs during this Half Year.

Carnarvon was unable to secure a suitable farm-in partner to join the Company in drilling two wells in these Exploration Concessions. As previously outlined to shareholders, Carnarvon's intention was not to commit to these wells without a farm in partner. Accordingly the Board has indicated its intention to return these Concessions to the Government of Thailand unencumbered.

Managing Director's comments

Managing Director and Chief Executive Officer, Mr Adrian Cook said, "We have a disciplined strategy and a focus on balancing the risks within the business. In 2014 our focus is on the Phoenix South-1 well and maximising the value of our Thailand production operations, and ensuring we are adequately resourced to drive our growth strategy which will involve a greater focus on opportunities in Australia."

I am pleased the Company's operating activities delivered a profit from oil production in Thailand during the period and the company is in a strong financial position with cash of approximately \$20 million to fund the Company through the next stage of opportunities. The board maintained its prudent policy of expensing exploration costs, most particularly in relation to the L52/50 and L53/50 Concessions in Thailand, and now carries only \$1 million in exploration costs on its balance sheet.

Carnarvon is well placed in 2014 to test the high impact Phoenix South-1 well, maximise value in its Thailand oil production operations and to introduce new opportunities focused particularly in Australia."

For all enquiries please contact:

Shareholder Enquiries

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Company Secretary
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Yours faithfully



Adrian Cook
Managing Director
Carnarvon Petroleum

**ASX APPENDIX 4D
RESULTS FOR ANNOUNCEMENT TO THE MARKET
LISTING RULE 4.2A.3
HALF YEAR FINANCIAL REPORT TO 31 DECEMBER 2013**

	6 months to 31 December 2013	6 months to 31 December 2012	% change
	\$000	\$000	
Sales revenue	9,645	9,223	4.6%
Net loss for the period	(4,127)	(2,757)	(49.7%)
Net loss attributable to members	(4,127)	(2,757)	(49.7%)

Explanation of results

An 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 2013	6 months to 31 December 2012
Interim dividend per share	Nil	Nil
Franked amount per share	Not applicable	Not applicable

Net tangible assets per share

	As at 31 December 2013	As at 31 December 2012
Net tangible assets per share (cents per share)	2.7	2.6

Details of associates and joint venture assets

<i>Joint venture</i>	<i>Principal activities</i>	<i>31 December 2013 Ownership interest %</i>	<i>31 December 2012 Ownership interest %</i>	<i>31 December 2013 Net Profit \$000</i>	<i>31 December 2012 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%	2,754	750
Exploration Blocks L52/50 and L53/50 3/2553/105 concession	Exploration for hydrocarbons	100%	100%	-	-
<i>Western Australia</i>					
WA-399-P, Carnarvon Basin	Exploration for hydrocarbons	-	13%	-	-
WA-435-P, WA-437-P, Roebuck Basin	Exploration for hydrocarbons	20%	20%	-	-
WA-436-P, WA 438-P, Roebuck Basin	Exploration for hydrocarbons	50%	50%	-	-
WA-443-P, Roebuck Basin	Exploration for hydrocarbons	100%	100%	-	-

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

**INTERIM FINANCIAL REPORT
31 December 2013**

CORPORATE DIRECTORY

Directors

PJ Leonhardt (Chairman)
AC Cook (Chief Executive Officer)
EP Jacobson (Non-Executive Director)
NC Fearis (Non-Executive Director) (Retired 31 December 2013)
W Foster (Non-Executive Director)

Company Secretary

TO Naude

Auditors

Crowe Horwath Perth

Bankers

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

Registered Office

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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
CVNO - Options

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DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2013, 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 (Retired 31 December 2013)
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 94,760 bbls (2012: 97,776 bbls).

The Group's share of revenue from these oil sales was \$9,645,000 (2012: \$9,223,000). The increase from the previous corresponding period was the result of a higher average sale price achieved of \$101.78 bbl (2012: \$94.33 bbl) offset by a small decrease in oil sales volume.

In Western Australia, Carnarvon completed an option for a farm out in December 2013 of a portion of its interests in exploration blocks WA-436-P and WA-438-P. The farm out gives Apache Northwest Pty Ltd (Apache) the option to acquire a 40% interest and operatorship in these exploration blocks in return for an increase in the cost cap to drill the Phoenix South-1 and Roc wells from US\$50m to US\$70m (gross). Carnarvon will retain a 30% interest in both blocks should Apache exercise its option.

The Group's Loss after tax from continuing operations for the half year ending 31 December 2013 was \$4,127,000 (2012 loss: \$2,757,000). The loss includes a one off expense of \$4,860,000 for exploration expenditure written off. This includes \$2,844,000 in relation to the write off of past costs of the L52/50 and L53/50 Concessions in Thailand and a \$1,600,000 provisional work program obligation as the Company intends to relinquish these Concessions to the Department of Mineral Fuels in Thailand. In addition, the Company has written off \$105,000 of past costs for WA-399-P and \$311,000 of past costs for WA-443-P as the Company continues to maintain a prudent policy of expensing exploration costs.

Amortisation of oil & gas assets during the half year was \$2,370,000 (2012: \$1,619,000). The increase in the Amortisation expense was due to changes in forward cost assumptions.

The Company successfully raised \$3,100,000 by way of a non-renounceable pro-rata rights issue during the half year. The funds were raised to enable the Company, concurrently with the increased well cost cap, to be fully funded as it enters into drilling the Phoenix South-1 well.

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 2013 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 2013.

Signed in accordance with a resolution of the directors.



PJ Leonhardt
Director

Perth
24 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 Ltd and its controlled entities for the half-year ended 31 December 2013, 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



SEAN MCGURK
Partner

Signed at Perth, 24 February 2014

CARNARVON PETROLEUM LIMITED
31 DECEMBER 2013 INTERIM FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Half-year 31 December 2013 \$000	Half-year 31 December 2012 \$000
Continuing operations		
Revenue	9,645	9,223
Cost of sales	(6,702)	(6,499)
Gross profit	2,943	2,724
Administrative expenses	(690)	(768)
Employee benefits expense	(830)	(672)
Directors' fees	(146)	(146)
Unrealised foreign exchange loss	(12)	(115)
Travel related costs	(88)	(76)
Share based payments	(78)	-
New venture and advisory expenditure	(678)	(680)
Exploration expenditure written off	(4,860)	(1,105)
Results from operating activities	(4,439)	(838)
Finance income	159	75
Net finance income	159	75
Loss before taxes	(4,280)	(763)
Taxes		
Deferred income tax expense	280	(3,486)
Income tax expense	(127)	1,492
	153	(1,994)
Total taxes	153	(1,994)
Net loss for the period from continuing operations attributable to members of the entity	(4,127)	(2,757)
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.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

	Half-year 31 December 2013 \$000	Half-year 31 December 2012 \$000
Net loss for the period from continuing operations	(4,127)	(2,757)
Other comprehensive income		
Exchange differences arising in translation of foreign operations	(4,259)	1,691
Total other comprehensive (loss) / income net of taxes	(4,259)	1,691
Total comprehensive loss for the period attributable to members of the entity	(8,386)	(1,066)

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 2013 INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	31 December	30 June
	2013	2013
	\$000	\$000
Current assets		
Cash and cash equivalents	19,688	19,525
Trade and other receivables	5,050	5,082
Inventories	6,417	6,963
Other assets	715	251
Total current assets	<u>31,870</u>	<u>31,821</u>
Non-current assets		
Property, plant and equipment	509	765
Exploration and evaluation	1,143	3,404
Oil and gas assets	105,976	108,374
Total non-current assets	<u>107,628</u>	<u>112,543</u>
Total assets	<u>139,498</u>	<u>144,364</u>
Current liabilities		
Trade and other payables	3,146	3,166
Employee benefits	304	279
Current tax liability	319	846
Exploration commitment provision	1,600	-
Total current liabilities	<u>5,369</u>	<u>4,291</u>
Non-current liabilities		
Employee benefits	89	-
Deferred tax	42,965	43,245
Total non-current liabilities	<u>43,054</u>	<u>43,245</u>
Total liabilities	<u>48,423</u>	<u>47,536</u>
Net assets	<u>91,075</u>	<u>96,828</u>
Equity		
Issued capital	90,128	87,573
Reserves	(3,324)	857
Retained profits	4,271	8,398
Total equity	<u>91,075</u>	<u>96,828</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 2013 INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Issued capital \$000	Retained profits \$000	Translation reserve \$000	Share based payments reserve \$000	Total \$000
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
Balance at 1 July 2013	87,573	8,398	(1,095)	1,952	96,828
Comprehensive income					
Loss for the period	-	(4,127)	-	-	(4,127)
Other comprehensive income	-	-	(4,259)	-	(4,259)
Total comprehensive income for the half year	-	(4,127)	(4,259)	-	(8,386)
Transactions with owners and other transfers					
Share based payments	-	-	-	78	78
Proceeds from Capital Raise	2,555	-	-	-	2,555
Total transactions with owners and other transfers	2,555	-	-	78	2,633
Balance at 31 December 2013	90,128	4,271	(5,354)	2,030	91,075

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 2013 INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Half-year 31 December 2013 \$000	Half-year 31 December 2012 \$000
Cash flows from operating activities		
Receipts from customers and GST recovered	10,017	8,500
Payments to suppliers and employees	(6,838)	(7,833)
Income and special remuneratory benefit taxes paid	(1,141)	(1,299)
Interest received	138	75
Net cash flows (used in) / provided by operating activities	<u>2,176</u>	<u>(557)</u>
Cash flows from investing activities		
Exploration, evaluation and development expenditure	(4,962)	(7,813)
Acquisition of property, plant and equipment	(69)	(936)
Cash held as security	37	(1,229)
Net cash flows used in investing activities	<u>(4,994)</u>	<u>(9,978)</u>
Cash flows from financing activities		
Sale of property, plant, and equipment	-	602
Proceeds from issue of shares	3,100	18,781
Net cash flows provided by financing activities	<u>3,100</u>	<u>19,383</u>
Net increase in cash and cash equivalents	282	8,848
Cash and cash equivalents at beginning of the half-year	19,525	7,106
Effects of exchange rate fluctuations on cash and cash equivalents	(119)	(98)
Cash and cash equivalents at end of the half-year (*)	<u>19,688</u>	<u>15,856</u>

(*) In addition, the Group has \$1,406,000 (June 2013: \$1,443,100) 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 2013 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled assets.

The 31 December 2013 interim financial statements were authorised for issue by the board of directors on 24 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 2013 annual financial report for the financial year ended 30 June 2013, 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.

New accounting standards that are applicable for the first time for the December 2013 half-year report are:

- AASB 10 *Consolidated Financial Statements*,
- AASB 11 *Joint Arrangements*,
- AASB 13 *Fair Value Measurement*,
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*.

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 2013 the Group had entered into capital commitments for \$126,000 (December 2012: \$2,850,000).

5. Exploration Commitment Provision

	31 December 2013	30 June 2013
	\$000	\$000
Work program obligation	1,600	-
	<u>1,600</u>	<u>-</u>

The Company has made a provision for work program obligations associated with the intended relinquishment of the L52/50 and L53/50 Concessions in Thailand.

6. Equity securities issued

	31 December 2013	31 December 2012
	Shares	Shares
<i>Issue of ordinary shares during the half-year</i>		
Shares issued under the Employee Share Plan	2,663,374	-
Shares issued under the Entitlement Offer	48,519,077	243,887,066
	<u>51,182,451</u>	<u>243,887,066</u>
<i>Issue of options during the half-year</i>		
Options issued under the Entitlement Offer	48,519,077	-
	<u>48,519,077</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. 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 the 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 2013 \$000	Half-year ending 31 December 2012 \$000
Thailand	9,754	9,245
Australia	50	53
	<u>9,804</u>	<u>9,298</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 2013 \$000	As at 30 June 2013 \$000
Thailand	124,031	128,692
Australia	15,467	15,672
	<u>139,498</u>	<u>144,364</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Subsequent events

No matter or circumstance has arisen since 31 December 2013 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

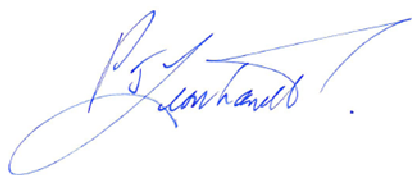
- (i) the Group's operations, or
- (ii) the results of those operations, or
- (iii) the Group's state of affairs

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 2013 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
24 February 2013

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Carnarvon Petroleum Ltd and its controlled entities (the consolidated entity) which comprises the consolidated condensed statement of financial position as at 31 December 2013, the consolidated condensed income statement, the consolidated condensed statement of comprehensive income, consolidated condensed statement of changes in equity, the consolidated condensed 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 Financial Report

The directors of the consolidated entity 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 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*, 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 Carnarvon Petroleum Ltd and its controlled entities' financial position as at 31 December 2013 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 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 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 Ltd 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 2013 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



SEAN MCGURK
Partner

Signed at Perth, 24 February 2014