

Half Year Financial Report

27 February 2015



Carnarvon Petroleum Limited (ASX:CVN) (“Carnarvon”) is pleased to provide shareholders with the Half Year Financial Report to 31 December 2014.

During the Half Year, Carnarvon recorded sales revenue of \$7.5 million a gross profit of \$4.6 million and a net profit of \$19.3 million.

At 31 December 2014 Carnarvon’s cash and receivable from the sale of its remaining Thai interests totalled \$105.4m. The consideration for the Thai sale was received in February 2015 resulting in total cash of approximately \$108 million at the completion of the transaction. The depreciation of the Australian Dollar to the United States Dollar caused the increase in the cash balance between the Half Year Financial Report and completion of the transaction.

For all enquiries please contact:

Shareholder Enquiries

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Company Secretary
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Yours faithfully

A handwritten signature in black ink, appearing to read "Adrian Cook".

Adrian Cook
Managing Director
Carnarvon Petroleum

About Carnarvon Petroleum (ASX: CVN)

Carnarvon Petroleum Limited is a Perth based company listed on the Australian Securities Exchange (ASX: CVN). The company’s principal activity is oil and gas exploration and production.

Carnarvon’s objective is to create material returns on its shareholder’s investments, through delivering profitable and sustainable growth from the development, exploitation and commercialisation of oil and gas assets.

Carnarvon is focused on oil & gas exploration in the world-class province of the North West Shelf area off the coast of Western Australia.

**ASX APPENDIX 4D
RESULTS FOR ANNOUNCEMENT TO THE MARKET
LISTING RULE 4.2A.3
HALF YEAR FINANCIAL REPORT TO 31 December 2014**

	6 months to 31 December 2014	6 months to 31 December 2013	% change
	\$000	\$000	
Sales revenue	7,455	9,645	(22.8)%
Net profit (loss) for the period	19,341	(4,127)	568.7%
Net profit (loss) attributable to members	19,341	(4,127)	568.7%

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 2014	6 months to 31 December 2013
Interim dividend per share	Nil	Nil
Franked amount per share	Not applicable	Not applicable

Net tangible assets per share

	As at 31 December 2014	As at 31 December 2013
Net tangible assets per share (cents per share)	13.1	2.7

Details of associates and joint venture assets

<i>Joint venture</i>	<i>Principal activities</i>	<i>31 December 2014 Ownership interest %</i>	<i>31 December 2013 Ownership interest %</i>	<i>31 December 2014 Net Profit \$000</i>	<i>31 December 2013 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%	8,463	2,754
Exploration Blocks L52/50 and L53/50 3/2553/105 concession	Exploration for hydrocarbons	-	100%	-	-
<i>Western Australia</i>					
WA-435-P, WA-437-P, Roebuck Basin	Exploration for hydrocarbons	20%	20%	-	-
WA-436-P, WA 438-P, Roebuck Basin	Exploration for hydrocarbons	30%	50%	-	-
WA-443-P, Roebuck Basin	Exploration for hydrocarbons	-	100%	-	-
EP-490, EP491, TP/27, Barrow Basin	Exploration for hydrocarbons	100%	-	-	-
EP475, Barrow Basin	Exploration for hydrocarbons	100%	-	-	-

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

**INTERIM FINANCIAL REPORT
31 December 2014**

CORPORATE DIRECTORY

Directors

PJ Leonhardt (Chairman)
AC Cook (Chief Executive Officer)
EP Jacobson (Non-Executive Director)
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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Website: www.carnarvonpetroleum.com

Share Registry

Link Market Services Limited
Level 4,
152 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 2014, 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
William (Bill) Foster

Review of Operations

The Group's operations comprise oil and gas exploration and production in Thailand and Western Australia. Currently the Group's main interests are located in the North West Shelf of Western Australia.

The group's Profit after tax from continuing operations for the half year ending 31 December 2014 was \$19,341,000 (2013 loss:\$4,127,000).

In Thailand, Carnarvon announced an agreement on the 4 December 2014 to divest the balance of its assets to Berlanga Thailand Limited (Berlanga) at the effective sale date of 1 October 2014. The Thailand assets included Carnarvon's 20% 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) that make up the Phetchabun Basin Joint Venture.

Total cash consideration of US\$50,000,000 plus working capital adjustments were received on 18 February 2015 which resulted in a cash in bank plus sale receivable balance of AUD\$105,194,000 (2013: \$19,688,000) at the end of the period. A part of this sum includes a foreign exchange gain on the USD cash consideration of the sale, accounting for the movement in the exchange rate from the effective date of the transaction to 31 December 2014.

The consolidated income statement contains the following amounts relating to this divestment:

- (Loss) on sale (before tax adjustments) (\$18,039,000)
- Reversal of deferred tax liability \$24,951,000
- Unrealised foreign exchange \$4,167,000*

*The unrealized gain on the USD cash consideration of the sale accounting for the movement in the exchange rate from the effective date of the transaction to 31 December 2014. This is included in the unrealised foreign exchange gain in the consolidated income statement of \$12,003,000 (2013: loss: \$12,000).

Prior to the effective divestment date of 1 October 2014, Carnarvon's share of oil sold during the half-year was 76,177 bbls (2013: 94,760 bbls).

The Group's share of revenue from these oil sales was \$7,455,000 (2013: \$9,645,000). The decrease from the previous half-year period was the result of the above mentioned divestment being effective from 1 October 2014 and a slightly lower average sale price achieved during the 3 month period in which Carnarvon held the asset of \$97.86 bbl (2012: \$101.78 bbl).

In Western Australia, Carnarvon along with its Joint Venture partners, made a significant oil discovery in the Phoenix South-1 well in the WA-435-P permit of the North West Shelf. As a result, Apache Northwest Pty Ltd (Apache) and JX Nippon committed to drill the Roc-1 well in the WA-437-P permit and Apache exercised an option to obtain 40% equity in the permits WA-436-P and WA-438-P.

Following the Phoenix South-1 discovery, Carnarvon has undertaken significant activities to promote the discovery and future plans to potential investors and to realise value on the discovery. This, combined with charges associated with the increased share registry movements linked to the discovery news, has resulted in an increase in administrative expenses to \$1,008,000 (2013: \$690,000) during the period.

Review of Operations (Continued)

Carnarvon incurred \$1,095,000 (2013: \$678,000) in new venture and advisory expenditure as it continued its investment in pursuing further opportunities in the North West Shelf region.

Carnarvon entered into an agreement to acquire the EP-475-P block for a nominal cost during December 2014 in addition to the continued technical work on the EP-490-P, EP-491-P and TP/27 permits (Cerberus Blocks). To date, the Company has acquired a portfolio of assets that reflects the business focus on discovering new oil and gas reserves on the North West Shelf.

Subsequent events

On 18 February 2015, Carnarvon completed the divestment of its remaining 20% interest in the Thailand oil production Concessions L44/43, L33/43 and SW1A.

The effective sale date was 1 October 2014 and has been accounted for in the Company's half-year financial report.

No other matter or circumstance has arisen since 31 December 2014 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 2014.

Signed in accordance with a resolution of the directors.



PJ Leonhardt
Director

Perth
27 February 2015.

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 2014, 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, 27 February 2015

CARNARVON PETROLEUM LIMITED
31 DECEMBER 2014 INTERIM FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 December 2014

	Half-year 31 December 2014 \$000	Half-year 31 December 2013 \$000
Continuing operations		
Revenue	7,455	9,645
Cost of sales	(2,820)	(6,702)
Gross profit	4,635	2,943
Administrative expenses	(1,008)	(690)
Employee benefits expense	(692)	(830)
Directors' fees	(135)	(146)
Unrealised foreign exchange gain (loss)	12,003	(12)
Travel related costs	(221)	(88)
Share based payments	(97)	(78)
New venture and advisory expenditure	(1,095)	(678)
Exploration expenditure written off	(24)	(4,860)
Results from operating activities	13,366	(4,439)
Finance income	1,346	159
Gain on farm out	2,000	-
Gain (loss) on sale	(18,039)	-
Finance costs	(203)	-
Deferred consideration asset revaluation	(2,293)	-
Net finance income	(17,189)	159
Profit (Loss) before taxes	(3,823)	(4,280)
Taxes		
Deferred income tax	24,951	280
Income tax expense	(1,787)	(127)
	23,164	153
Total taxes	23,164	153
Net profit (loss) for the period from continuing operations attributable to members of the entity	19,341	(4,127)
Basic profit (loss) per share from continuing operations (cents per share)	2.0	(0.4)
Diluted profit (loss) per share from continuing operations (cents per share)	1.9	(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 2014**

	Half-year 31 December 2014 \$000	Half-year 31 December 2013 \$000
Net profit (loss) for the period from continuing operations	19,341	(4,127)
Other comprehensive income		
Exchange differences arising in translation of foreign operations	8,226	(4,259)
Total other comprehensive income / (loss) net of taxes	8,226	(4,259)
Total comprehensive profit (loss) for the period attributable to members of the entity	27,567	(8,386)

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 2014 INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2014

	31 December 2014 \$000	30 June 2014 \$000
Current assets		
Cash and cash equivalents	42,998	49,580
Trade and other receivables	501	3,937
Thai sale receivable	62,397	-
Inventories	-	2,728
Other assets	262	428
Total current assets	<u>106,158</u>	<u>56,673</u>
Non-current assets		
Deferred consideration asset	22,979	21,480
Property, plant and equipment	150	504
Exploration and evaluation expenditure	8,149	2,300
Oil and gas assets	-	52,008
Total non-current assets	<u>31,278</u>	<u>76,292</u>
Total assets	<u>137,436</u>	<u>132,965</u>
Current liabilities		
Trade and other payables	541	4,516
Employee benefits	241	244
Exploration provision	-	1,203
Total current liabilities	<u>782</u>	<u>6,198</u>
Non-current liabilities		
Employee benefits	121	105
Deferred tax	-	21,902
Total non-current liabilities	<u>121</u>	<u>22,007</u>
Total liabilities	<u>903</u>	<u>28,205</u>
Net assets	<u>136,533</u>	<u>104,760</u>
Equity		
Issued capital	90,225	90,213
Reserves	2,054	(6,268)
Retained profits	44,254	20,815
Total equity	<u>136,533</u>	<u>104,760</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 2014 INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 December 2014

	Issued capital \$000	Retained profits \$000	Translation reserve \$000	Share based payments reserve \$000	Total \$000
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
Balance at 1 July 2014	90,213	20,815	(8,226)	1,958	104,760
Comprehensive income					
Profit for the period	-	19,341	-	-	19,341
Other comprehensive income	-	-	12,324	-	12,324
Total comprehensive income for the half year	-	19,341	12,324	-	31,665
Transactions with owners and other transfers					
Share based payments	-	-	-	96	96
Reclassification on disposal	-	4,098	(4,098)	-	-
Proceeds from exercised options	12	-	-	-	12
Total transactions with owners and other transfers	12	4,098	(4,098)	96	108
Balance at 31 December 2014	90,225	44,254	-	2,054	136,533

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 2014

	Half-year 31 December 2014 \$000	Half-year 31 December 2013 \$000
Cash flows from operating activities		
Receipts from customers and GST recovered	8,083	10,017
Payments to suppliers and employees	(3,127)	(6,838)
Income and special remuneratory benefit taxes paid	(2,776)	(1,141)
Interest received	117	138
Net cash flows provided by operating activities	<u>2,297</u>	<u>2,176</u>
Cash flows from investing activities		
Exploration, evaluation and development expenditure	(5,873)	(4,962)
Exploration permit commitment payments	(1,259)	-
Acquisition of property, plant and equipment	(80)	(69)
Cash held as security	(644)	37
Net cash flows used in investing activities	<u>(7,856)</u>	<u>(4,994)</u>
Cash flows from financing activities		
Outflows from sale of Thai assets	(3,517)	-
Proceeds from farm out activities	2,000	-
Proceeds from exercised options	12	-
Proceeds from issue of shares	-	3,100
Net cash flows (used in) / provided by financing activities	<u>(1,505)</u>	<u>3,100</u>
Net (decrease) / increase in cash and cash equivalents	(7,064)	282
Cash and cash equivalents at beginning of the half-year	49,580	19,525
Effects of exchange rate fluctuations on cash and cash equivalents	482	(119)
Cash and cash equivalents at end of the half-year (*)	<u>42,998</u>	<u>19,688</u>

(*) In addition, the Group has \$218,000 (December 2013: \$1,406,000) 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 as at and for the six months ending 31 December 2014 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled assets.

The 31 December 2014 interim financial statements were authorised for issue by the board of directors on 27 February 2015.

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 2014 annual financial report for the financial year ended 30 June 2014, 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 adoption of any 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Gain on farm out

	Half-year ending 31 December 2014 \$000	Half-year ending 31 December 2013 \$000
Consideration for farm out of WA-437-P	2,000	-
	<u>2,000</u>	<u>-</u>

Consideration received upon Joint Venture partners exercising an option to farm into 20% of Carnarvon's equity in the WA-437-P permit in the North West Shelf of Australia.

4. Loss on sale of joint operations

	Half-year ending 31 December 2014 \$000	Half-year ending 31 December 2013 \$000
Receivable consideration	59,599	-
Less transaction costs	(1,854)	-
	<u>57,745</u>	<u>-</u>
Less asset and liability adjustments:		
Cash and cash equivalents	(3,517)	-
Trade and other receivables	(4,235)	-
Inventories	(3,095)	-
Other assets	(200)	-
Property, plant and equipment	(254)	-
Oil and gas assets	(66,282)	-
Trade and other payables	1,441	-
Current tax liability	358	-
	<u>(18,039)</u>	<u>-</u>

5. Deferred consideration asset

	Half-year ending 31 December 2014 \$000	Half-year ending 31 December 2013 \$000
Receivable consideration	<u>22,979</u>	<u>-</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

Opening fair value	21,480	-
Effective interest	1,311	-
Estimates revaluation	(2,293)	-
Unrealised foreign exchange gain	2,481	-
Closing fair value	<u>22,979</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. 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.

7. Property plant and equipment

Capital commitments

As at 31 December 2014 the Group had entered into capital commitments for \$0 (December 2013: \$126,000).

8. Exploration Commitment Provision

	31 December 2014	30 June 2014
	\$000	\$000
Work program obligation	-	1,600
	<u>-</u>	<u>1,600</u>

The Company has met it's commitments for work program obligations associated with the intended relinquishment of the L52/50 and L53/50 Concessions in Thailand.

9. Equity securities issued

	31 December 2014	31 December 2013
	Shares	Shares
<i>Issue of ordinary shares during the half-year</i>		
Shares issued under the Employee Share Plan	1,000,000	2,663,374
Shares issued under the Entitlement Offer	-	48,519,077
Exercised options from Entitlement Offer	118,092	-
	<u>1,118,092</u>	<u>51,182,451</u>
<i>Issue of options during the half-year</i>		
Options issued under the Entitlement Offer	-	48,519,077
	<u>-</u>	<u>48,519,077</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. 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 2014 \$000	Half-year ending 31 December 2013 \$000
Thailand	7,463	9,754
Australia	3,337	50
	<u>10,800</u>	<u>9,804</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 2014 \$000	As at 30 June 2014 \$000
Thailand	216	65,246
Australia	137,220	67,719
	<u>137,436</u>	<u>132,965</u>

11. Subsequent events

On 18 February 2015, Carnarvon completed the divestment of its remaining 20% interest in the Thailand oil production Concessions L44/43, L33/43 and SW1A.

The effective sale date was 1 October 2014 and has been accounted for in the Company's half-year financial report.

No other matter or circumstance has arisen since 31 December 2014 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 2014 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
27 February 2015.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE 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 statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated 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 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 Carnarvon Petroleum Ltd and its controlled entities' financial position as at 31 December 2014 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 2014 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, 27 February 2015