



Carnarvon
Petroleum NL

ABN 60 002 688 851



Annual Report 2002

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Corporate Directory

Directors

AG Shelton (Non-Executive Chairman)
KC Tregonning (Managing Director & CEO)
DJ Orth (Executive Director)
NC Fearis (Non-Executive Director)

Company Secretary

L Troncone

Auditors

Ernst & Young

Solicitors

Freehills

Legal Counsel

Agricola, Wunderlich & Associates

Bankers

Australia and New Zealand Banking
Group Limited

Registered Office

Suite 3, Level 18, Central Park
152-158 St. George's Terrace
Perth Western Australia 6000

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Facsimile: +61 8 9288 4447
Internet: <http://www.carnarvon.com.au>
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Share Registry - Australia

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St. George's Terrace
Perth Western Australia 6000

Telephone: +61 8 9323 2000

Facsimile: +61 8 9323 2033

Share Registry - New Zealand

Computershare Registry Services Limited
Private Bag 92119
Auckland 1020

Telephone: +64 9 522 0022

Facsimile: +64 9 522 0058

Stock Exchange Listing

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

ASX Code: CVN

NZSE Code: CVN



Chairman's Report

This past financial year has been another watershed year for Carnarvon, with a strong focus on the further evaluation and development of the Wichian Buri Oil Field, including the completion of the Phase 1 program and extensive planning for the Phase 2 development program.

Phase 1 was completed during the course of this past year when Carnarvon participated in the drilling of an out-step well. That well, WB-N3, was drilled in Production License 1 in our 40% owned SW1A Concession in Central Thailand. The results of the well confirmed the positive results posted by the successful farmin wells, WB-N1 and WB-N2, and enabled the Company to report a boost in its P50 (Proven plus Probable) reserves estimates from 10 MMBO to 23 MMBO. These latest reserves estimates have been independently verified by an internationally respected petroleum engineering consultancy firm.

These encouraging results have led the Company to commit to the Phase 2 Field Development Program at SW1A beginning in the third quarter of this calendar year. At the time of writing this report, the Joint Venture partners are well on the way to drilling three directional production wells from a central site in Production Licence 1 which, if successful, will augment production significantly by the end of calendar 2002 when they all will come on stream.

WB-N3 did not produce at the expected rate despite confirming the presence of oil in an expanded area. Also, production from WB-N2 experienced an unanticipated decline. Remedial action was undertaken on WB-N2 but operational problems prevented the procedure from having the desired effect. At the time of writing this report, the hydraulic fracturing of WB-N2 and WB-N3 has been operationally successful and the results are being evaluated. If the results of the technology are encouraging, it will become an option for all future well completions.

The Company has also entered into an agreement with Gemini Oil & Gas Limited, a London based investment firm, to assist with the funding for the Phase 2 development at SW1A. Gemini will provide US\$2 million to the Joint Venture in exchange for future royalty payments from oil production derived from the F Sandstone in Production Licences 1 and 2.

The Phase 2 development is part of a larger process in which the Company works towards establishing a balanced portfolio of high quality production and exploration assets which began with the acquisition of Block SW1A in Thailand and the disposal of the majority of the Carnarvon Basin permits. The Company is actively assessing new development opportunities throughout Asia and Australasia to complete the transition from being an exploration oriented entity to one whose growth will be funded primarily by production and cash flow generating assets.

Carnarvon maintains an interest in EP 110 lying onshore/offshore in the Carnarvon Basin primarily because of its proximity to the Tubridgi Gas Field. The interpretation of the license area continues by the operator, Gulliver Productions. The 8% interest in AusAm Resources Limited, as well as a 2.5% royalty in that company's Perth Basin assets, has been maintained. In Papua New Guinea, Carnarvon holds 15% equity in the Petroleum Retention Licenses 4 & 5. The reserves in the blocks total nearly a trillion cubic feet of gas and about 50 million barrels of condensate but are unlikely to be commercialised in the near term. As a consequence, Carnarvon has sought expressions of interest to purchase the PNG assets and plans to utilise the proceeds for additional opportunities in the region.

In September 2002, the Company successfully completed a capital raising. Its purpose was to underpin the financial base of the Company for the forthcoming Phase 2 development as well as to provide funding for the evaluation of new opportunities. The capital raising initiatives were approved by shareholders at a general meeting on 5 September 2002. Further details on the capital raising are contained in the section titled Significant Events After Balance date in the Directors' Report.

Finally, I was appointed the Company's new Chairman on 1 April 2002 upon the retirement of George White who served as a director and Chairman for many years. My fellow Board members and I take the opportunity of thanking George for his many years of service. I look forward to being of service to Carnarvon and its shareholders for years to come in what no doubt will be challenging times ahead but with genuine potential to deliver improvements in shareholders' wealth.

Andrew Shelton
Chairman

Review of Operations

Summary

Operational activities during the course of the year have concentrated on Block SW1A in Thailand where the successful WB-N3 well was drilled during January 2002. The drilling of WB-N3, which successfully completed the Phase 1 development, proved up the existence of an extensive accumulation that allowed Carnarvon to increase its P50 reserves estimates from 10 MMBO to 23 MMBO. Independently verified reserves estimates covering the Concession area are as follows:

SW1A Concession	Mapped Area	P90 Reserves (Proven)	P50 Reserves (Proven plus Probable)	P10 Reserves (Possible)
Approx 37km ²	Approx 2 km ²	11 MMBO	23 MMBO	45 MMBO

In order to optimally evaluate and exploit these reserves, the SW1A JV partners agreed in August 2002 to the Phase 2 Field Development Program. The program falls in two parts both of which focus on maximising extraction of the oil from the area of Proved reserves.

The first part of the Phase 2 program is designed to address the production problems encountered at the WB-N2 and WB-N3 wells where oil production has declined rapidly. After a review of possible causes of the problems and of means to redress them, it was decided to use hydraulic fracturing ('frac') technology on the wells. Initially, an attempt was made in June 2002 to conduct a frac operation on the WB-N2 well but was unsuccessful due to mechanical difficulties encountered with the contractor's equipment. Using a larger and more powerful set of pumps and with the benefit of the earlier experience, a detailed computer-designed frac program was performed in September 2002 on both the WB-N2 and WB-N3 wells. The program was operationally successful and production results are presently awaited.

The second part of Phase 2 comprises drilling of three new development wells in Production Licence 1 scheduled during September and October 2002.

More generally, over the past 18 months the Company has been pursuing its strategy of creating a balanced portfolio of production and exploration assets. This involves in part the Company divesting itself of its previous exploration portfolio and building a new portfolio of assets capable of being brought into production in the short term and with upside potential through the introduction of technological enhancements. The corporate objective is for a well balanced spread of assets in terms of the nature of the projects, the number of countries in which they reside, and the magnitude of their upside potential both for the hydrocarbon potential and the access to additional projects. At least three new projects have been assessed and found to fit within Carnarvon's acquisition guidelines. Discussions have been initiated and have led to broad agreement with respect to the terms and conditions under which they could be accessed. The projects all share the ability to add immediate production and revenue to Carnarvon and, if accessed, will provide diversification to the Company's oil and gas assets portfolio. It is hoped that the first project could be accessed within the latter part of 2002 or early 2003.

Wells Drilled During 2001/2002

Carnarvon participated in the drilling of one well during the year and that well resulted in a discovery. WB-N3 is currently producing at about 30 BOPD but that is expected to increase once the well is stimulated via hydraulic fracturing.

Well Name	Permit	Basin	Interest	Spud Date	Metres	Comment
WB-N3	SW1A	Thailand	40%	17 Jan 02	1,037	Discovery

Upcoming Wells

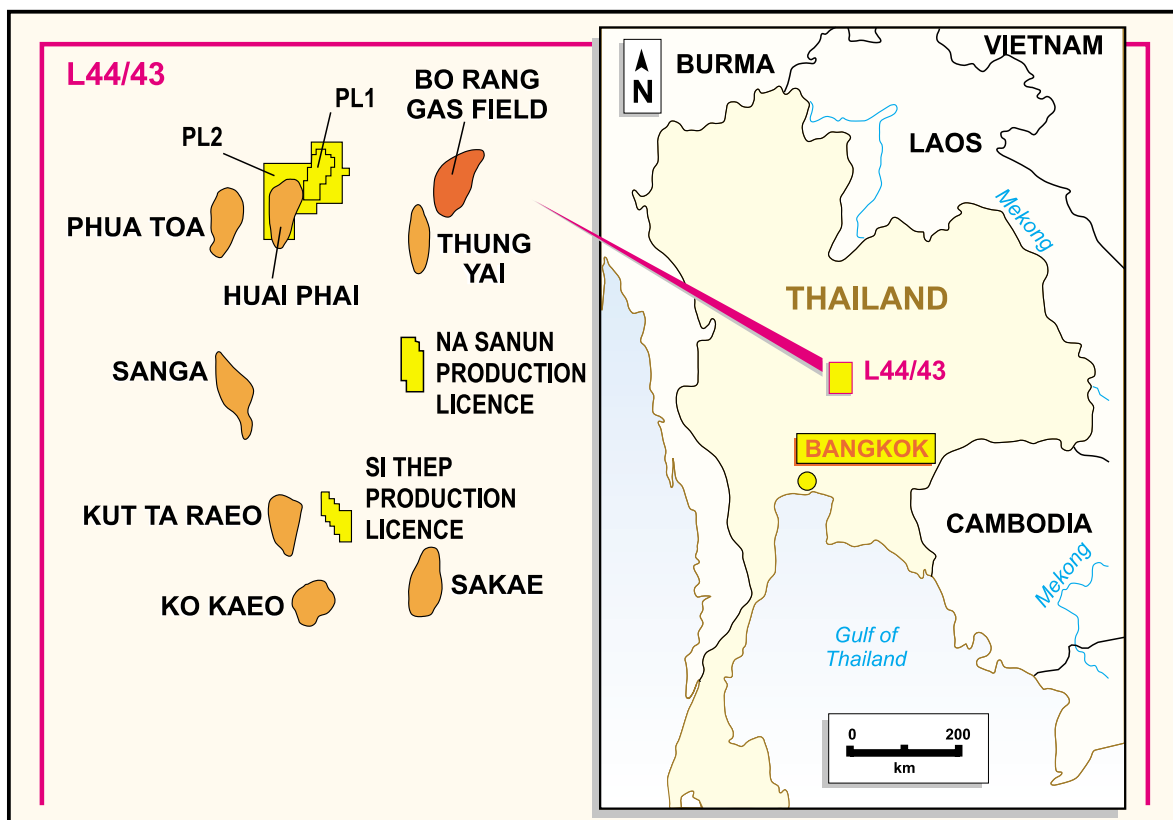
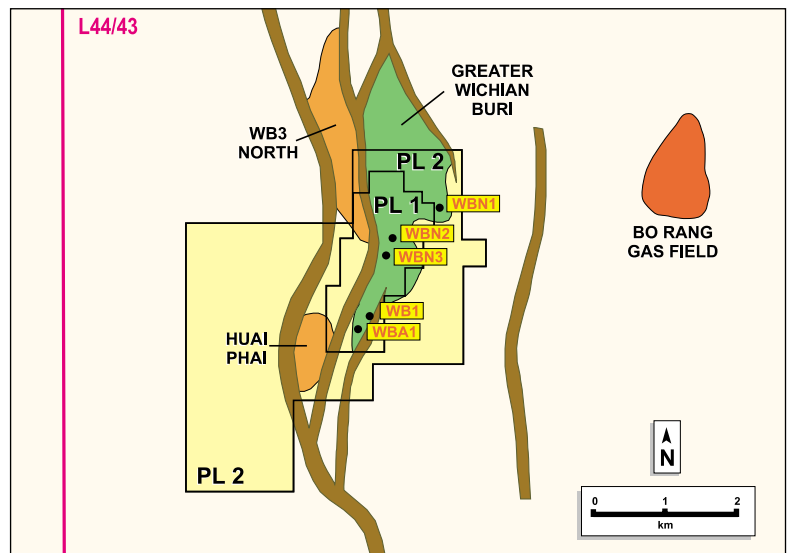
On the assumption that the Phase 2 development at SW1A is successful, the Company is planning an aggressive field development campaign over the course of the next financial year to actively bring on stream a number of wells in an effort to bolster oil production and resultant cash flow. With each successful well producing oil directly to the refiner it is imperative that the SW1A Joint Venture enters into an accelerated development program designed to maximise the financial returns to the participants. There are also a number of low risk prospects adjacent to the existing production fields that have been included in the expanded production license that will be investigated.

Well Name	Permit	Basin	Interest	Spud Date	Depth in Metres	Comment
WB-N4	PL1	Thailand	40%	Oct 2002	1,000	Development
WB-N5	PL1	Thailand	40%	Oct 2002	1,000	Development
WB-N6	PL1	Thailand	40%	Oct 2002	1,000	Development
Huai Phai	PL2	Thailand	40%	2Q 2003	1,000	Exploration

Thailand

PL1, PL2 (award pending), & L44/43 (under application) (Carnarvon 40%)

The Phetchabun Basin is located some 120 kilometres north of Bangkok in central Thailand. Carnarvon originally farmed into Block SW1A within which there are designated Production Licenses 1 & 2, the latter of which is still pending. An application has subsequently been made for block L44/43 to cover the remaining portion of the Phetchabun Basin not currently held by the Joint Venture. L44/43 covers an area of some 8,000 square km. A total of seven wildcat wells were drilled within the permit area with hydrocarbons produced from four new field discoveries (including the economically marginal Bo Rang gas field).



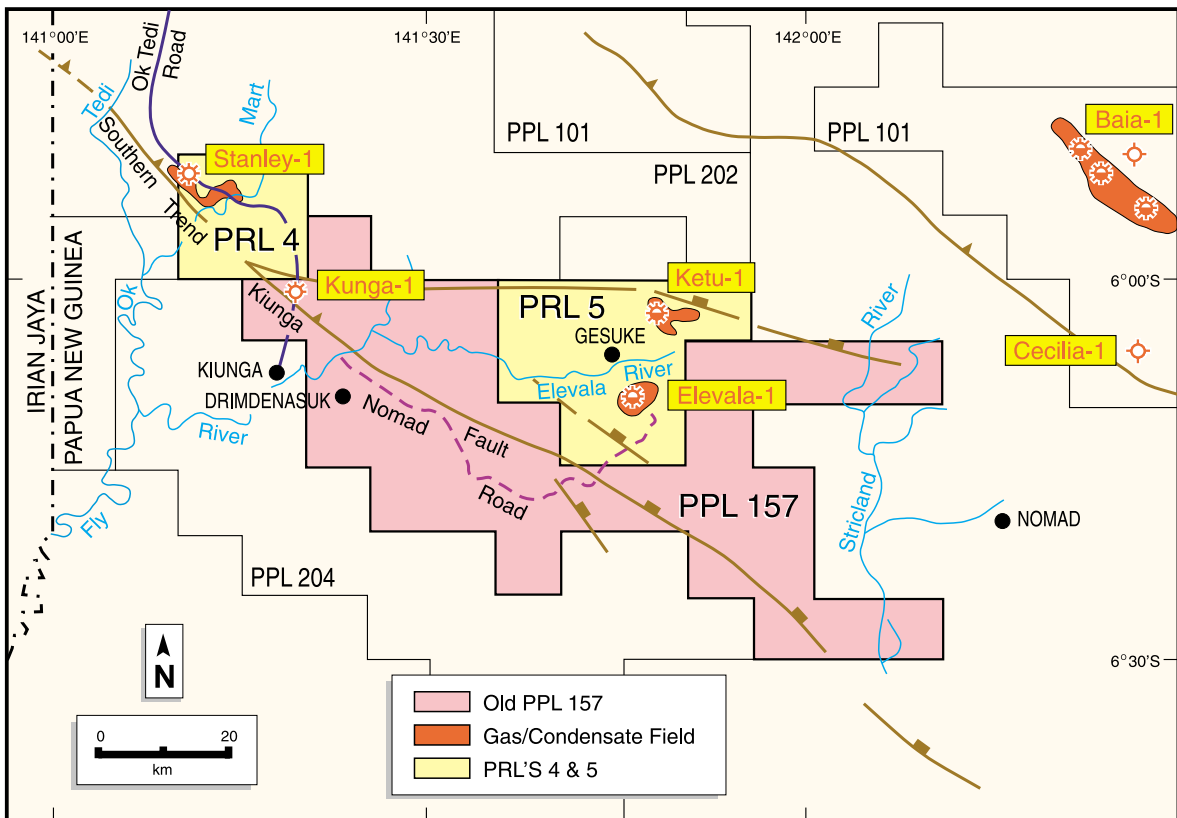
Maps of Thailand permits held and under application

Review of Operations (cont.)

Papua New Guinea

PRLs 4 & 5 (Carnarvon 15%)

Petroleum Retention Licenses (PRLs) 4 & 5 have been retained by the Joint Venture partners in Papua New Guinea. These PRLs have been excised from the original PPL 157 area which was relinquished. These PRLs are located in the foreland of the Papuan Basin in Papua New Guinea near the port town of Kiunga on the Fly River. The Operator has calculated reserves of nearly a trillion cubic feet of gas and about 50 million barrels of condensate within the combined licenses. Numerous leads and prospects have also been identified in PRLs 4 & 5. With negotiations continuing between the governments of PNG and Australia, as well as the participants in the proposed PNG-Queensland gas pipeline, the timing of commercialisation of the permits would still appear to be some time away. Carnarvon's current intention is to sell the assets and reinvest the proceeds in projects that have the ability to provide returns in the shorter term.



Papua New Guinea

PRLs 4 & 5 Permit Details

Carnarvon Basin

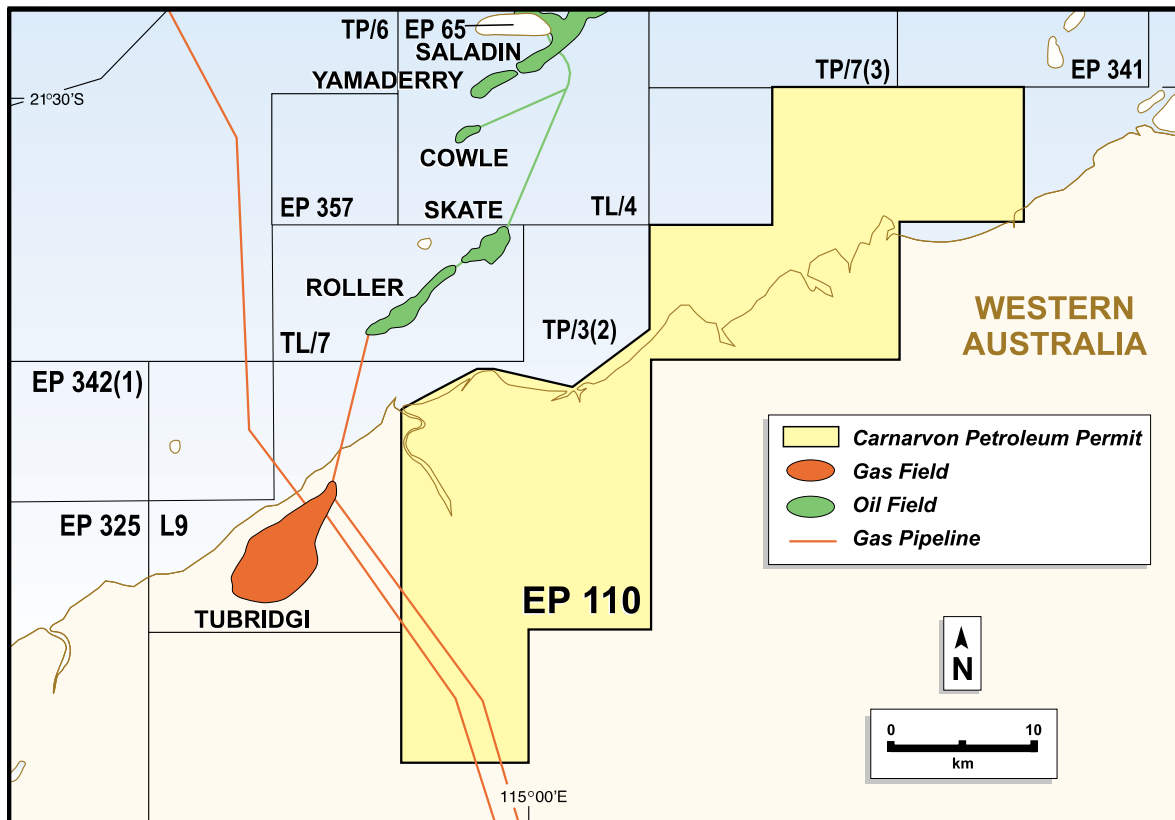
EP 110 (Carnarvon 25.8585%)

This permit is located onshore/offshore near Onslow, Western Australia, and is adjacent to the Tubridgi Gas Field. The farm out of EP 110 by Carnarvon to Gulliver Productions was completed during the year and a prospects and leads review is being conducted to determine the attractiveness of the acreage. The minimum work requirements of the renewal require one well to be drilled in the third permit year of 2003 and one offshore well to be drilled in the fifth permit year.

Perth Basin

Carnarvon owns 8% of AusAm Resources Limited and retains a royalty of 2.5% by virtue of a sales agreement completed in 2000 over a number of Perth Basin blocks. Their interests are shown below:

Interest	%
EP 413	9.44%
EP 407	42.50%
EP 23	14.38%
EP 321	38.25%
EP 414	18.89%



Carnarvon Basin
Infrastructure and Location Map

Directors' Report

Your directors submit their report for the year ended 30 June 2002.

Directors

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

Andrew Shelton – Appointed director and Chairman on 1 April 2002

Ken Tregonning – Appointed director 14 December 2000

Neil Fearis – Appointed director 30 November 1999

David Orth – Appointed director 14 December 2000

Warren Beckwith – Appointed director 17 August 1998, resigned 12 July 2001

Derek Cowlan – Appointed director 9 December 1998, resigned 12 July 2001

George White – Appointed director 3 November 1992, Chairman on 28 November 1996, retired on 1 April 2002

The details of the directors of the Company are:

Andrew Shelton

Non-Executive Chairman

Age 55. Bachelor of Arts (Economics and Politics), Master of Arts (Cantab.)

Non-Executive Director of Capricorn Development Fund Limited

Member of the Australian Institute of Company Directors
Past President & CEO of J P Morgan Canada

Ken Tregonning

Managing Director and CEO

Age 50. Bachelor of Science (Hons), Ph.D.

Member of the Society of Petroleum Engineers (SPE)
Past Chairman SPE (NSW/ACT Chapter) and member of the Executive Committee SPE (Kuala Lumpur Chapter)
Member of the Australian Institute of Company Directors

Neil Fearis

Non-Executive Director

Age 51. Bachelor of Law (Hons)

Non-Executive Director of Kresta Holdings Limited and Capital Growth Corp Limited

Member of the Australian Institute of Company Directors

David Orth

Executive Director

Age 53. Bachelor of Science

Diploma of GeoSci

Member of American Association of Petroleum Geologists (AAPG)

Member of the Australian Institute of Company Directors

Interests in the shares and options of the Company and related bodies corporate

Relevant interest in the shares and options of the Company as at the date of this report:

Director	Ordinary Shares	20 cents Options 31/12/2002	20 cents Options 31/12/2003
AG Shelton	4,067,421	833,334	–
KC Tregonning	6,188,067	1,366,667	5,000,000
DJ Orth	2,858,067	666,667	5,000,000
NC Fearis	1,571,400	400,000	–

Corporate Information

Corporate structure

Carnarvon Petroleum NL is a no liability company incorporated and domiciled in Australia. Carnarvon Petroleum NL has prepared a consolidated financial report incorporating the following entities:

Entity Name	% Ownership
Carnarvon Petroleum NL	100
S.R.L. Exploration Pty Ltd	100
Lassoc Pty Ltd	100
Strategic Exploration (Asia) Limited	100

Principal activities

The principal activity during the year was exploration, development and production of oil and gas. There was no significant change in the nature of this activity during the year.

Employees

The consolidated entity employed 2 employees as at 30 June 2002 (2001: 2 employees).

Earnings Per Share

Earnings Per Share	Cents
Basic earnings per share	(1.4)
Diluted earnings per share	(1.4)

Dividends

The directors have recommended that no dividend be paid in respect of the financial year ending 30 June 2002. No dividends were declared or paid during the financial year.



Production storage tanks, WB-1, Thailand

Review of Operations

A review of the operations during the financial year of the Carnarvon Petroleum Consolidated Entity is contained in pages 4 to 7 of this Annual Report and the directors adopt and endorse that review which is to be regarded as incorporated herein.

Operating Results

The loss of the consolidated entity after providing for income tax was	\$ (1,463,901)
This included exploration costs written off amounting to	\$ (111,686)
The loss of the parent entity after providing for income tax was	\$ (1,600,917)
This included exploration costs written off amounting to	\$ (111,686)

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

- The issue of up to 30,000,000 ordinary shares at 4.2 cents per share pursuant to a placement of shares. The placement was fully subscribed and the Company raised \$1,260,000.

Significant Events After Balance Date

At a general meeting of shareholders held on 5 September 2002, the shareholders of the Company approved the following capital raising initiatives:

- The issue to shareholders of up to 18,750,000 ordinary shares at 4.2 cents per shares pursuant to a share purchase plan. The Company received acceptances for 17,073,200 shares and raised \$717,074; and

On 6 September 2002, the Company received US\$800,000 from Gemini Oil & Gas Limited ("Gemini") pursuant to an investment agreement whereby Gemini agreed to fund the drilling of up to 4 wells on the Company's 40% owned SW1A Concession in Central Thailand in exchange for royalty payments from oil produced from the F Sandstone formation in Production Licences 1 and 2 of the Wichian Buri oil field.

Directors' Report (cont.)

Likely Developments and Expected Results

The Review of Operations outlines likely developments in the operations of the consolidated entity. The directors are not presently in a position to predict the results of those developments.

The directors are of the opinion that further information as to the likely developments in the operations of the consolidated entity would prejudice the interests of the Company and the consolidated entity and it has accordingly not been included.

Environmental Regulations and Performance

The consolidated entity's oil and gas exploration and development activities are concentrated in Western Australia, Thailand and Papua New Guinea. Environmental obligations are regulated under both State and Federal Law in Western Australia, under Department of Mineral Resources regulations in Thailand, and under the Oil and Gas Act in Papua New Guinea. No significant environmental breaches have been notified by any government agency during the year ended 30 June 2002.

Share Options

Unissued shares

As at the date of this report, there were 47,485,577 unissued ordinary shares under options as follows:

- 37,485,577 options to take up one ordinary share in Carnarvon Petroleum NL at an issue price of 20 cents. The options expire on 31 December 2002; and
- 10,000,000 options to take up one ordinary share in Carnarvon Petroleum NL at an issue price of 20 cents. The options expire on 31 December 2003.

Option holders are entitled to participate in any new pro-rata issue of securities of the Company only on the prior exercise of the options.

Shares issued as a result of exercise of options

There have been no options exercised during or since the end of the financial year.

Expiry of options

On 31 July 2002, 43,953,645 options exercisable at 25 cents each expired.



Well head at WB-1, Thailand

Indemnification and Insurance of Directors and Officers

The Company has arranged Directors and Officers insurance to cover losses or liabilities incurred by that person as an officer of the Company or of a related body corporate as permitted by law. Full details of the cover and premium are not disclosed as the insurance policy prohibits the disclosure. The amount of the premium however is included as part of directors' remuneration in note 20 to the financial statements.

Directors' Benefits

Disclosure of benefits provided to directors during the financial year is made in notes 20 and 23 to the financial statements. Directors are eligible to participate in the Company's Employee Share Plan, details of which are disclosed in note 17(a) to the financial statements.

Directors' and Other Officers' Emoluments

The Board of directors is responsible for determining and reviewing compensation arrangements for executive directors, officers and executive employees. The Board assesses the appropriateness of the nature and amount of emoluments on a periodic basis by reference to relevant employment market conditions and, when appropriate, independent expert advice.

Officers and executives are given the opportunity to receive their emoluments in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Total non-executive directors' fees are approved by shareholders and the Board is responsible for the allocation amongst the individual members of the Board.

The overall objective is to ensure maximum shareholder benefit from the retention of a quality Board and executive team.

Details of the nature and amount of each element of the emolument of each director and each of the executive officers of the Company are as follows:

Emoluments of directors of Carnarvon Petroleum NL

	Emoluments Paid	Long Term Emoluments
	<i>Base Fee</i> \$	<i>Superannuation</i> \$
Non-Executive Directors		
AG Shelton	5,883	550
NC Fearis	21,400	1,900
DT Cowlan	1,667	133
WT Beckwith	1,667	133
GHC White	16,246	-
Executive Directors		
KC Tregonning	199,804	14,246
DJ Orth	137,500	14,179

There are no performance bonus plans offered to directors of the Company.

Emoluments of executive officers of Carnarvon Petroleum NL

	Emoluments Paid	Long Term Emoluments
	<i>Base Salary</i> \$	<i>Superannuation</i> \$
L Troncone	193,280	21,250

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.

The elements of emoluments have been determined on the basis of cost to the Company and consolidated entity. Executive officers are those directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity.

Directors' Report (cont.)

Directors' Meetings

During the year, 11 directors' meetings were held. The number of meetings attended by each director is as follows:-

Director	Number of Board Meetings Held While in Office	Number of Board Meetings Attended
AG Shelton	2	2
KC Tregonning	11	11
NC Fearis	11	11
DJ Orth	11	11
GHC White	9	9

The Company does not have an audit committee as the directors believe that the small size of the Company enables the Board to monitor and control the operations of the Company.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Carnarvon Petroleum NL support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in pages 36 and 37 of this Annual Report.

Signed in accordance with a resolution of the directors.

AG Shelton

Director

Perth 23 September 2002

Statement of Financial Performance

for the Year ended 30 June 2002

	Notes	CONSOLIDATED		CARNARVON PETROLEUM NL	
		2002 \$	2001 \$	2002 \$	2001 \$
REVENUES FROM ORDINARY ACTIVITIES					
	2(a)	986,763	533,490	-	-
Cost of sales	2(b)	(847,450)	(407,786)	-	-
Other revenues from ordinary activities	2(c)	233,231	172,129	233,231	161,292
Exploration expenses	2(d)	(111,686)	(379,806)	(111,686)	(379,806)
Unrealised foreign exchange gain/(loss)	2(e)	(154,088)	190,224	(152,737)	-
Other expenses from ordinary activities	2(d)	(1,570,671)	(1,055,948)	(1,569,725)	(1,052,724)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(1,463,901)	(947,697)	(1,600,917)	(1,271,238)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	3	-	-	-	-
LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE ATTRIBUTABLE TO MEMBERS OF CARNARVON PETROLEUM NL		(1,463,901)	(947,697)	(1,600,917)	(1,271,238)
Basic earnings per share (cents per share)	26(a)	(1.4)	(1.2)		
Diluted earnings per share (cents per share)	26(b)	(1.4)	(1.2)		

Statement of Financial Position

As at 30 June 2002

	Notes	CONSOLIDATED		CARNARVON PETROLEUM NL	
		2002 \$	2001 \$	2002 \$	2001 \$
CURRENT ASSETS					
Cash assets		466,928	788,519	498,593	463,199
Receivables	4	107,963	220,599	32,226	70,269
Inventories	5	65,558	-	-	-
Prepayments and other assets	6	55,495	32,680	14,931	6,902
TOTAL CURRENT ASSETS		695,944	1,041,798	545,750	540,370
NON-CURRENT ASSETS					
Receivables	4	222,565	249,815	2,232,725	1,855,267
Other financial assets	7	282,876	282,876	1,765,838	1,765,838
Plant and equipment	9	90,007	31,933	13,096	19,321
Deferred exploration evaluation and development costs	10	3,964,997	3,144,389	-	-
TOTAL NON-CURRENT ASSETS		4,560,445	3,709,013	4,011,659	3,640,426
TOTAL ASSETS		5,256,389	4,750,811	4,557,409	4,180,796
CURRENT LIABILITIES					
Payables	11	399,099	606,566	160,646	360,062
Provisions	12	5,014	10,536	5,014	10,536
TOTAL CURRENT LIABILITIES		404,113	617,102	165,660	370,598
TOTAL LIABILITIES		404,113	617,102	165,660	370,598
NET ASSETS		4,852,276	4,133,709	4,391,749	3,810,198
EQUITY					
Contributed equity	13	40,293,593	38,111,125	40,293,593	38,111,125
Accumulated losses	14	(35,441,317)	(33,977,416)	(35,901,844)	(34,300,927)
TOTAL EQUITY		4,852,276	4,133,709	4,391,749	3,810,198

Statement of Cash Flows

For the Year ended 30 June 2002

	Notes	CONSOLIDATED		CARNARVON PETROLEUM NL	
		2002 \$	2001 \$	2002 \$	2001 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		1,019,602	397,845	-	-
Payments to suppliers and employees		(2,578,279)	(933,589)	(1,572,647)	(736,080)
Interest received		28,413	185,138	27,377	174,299
Exploration costs		(111,686)	(379,806)	(111,686)	(379,806)
Goods and services tax paid		(112,644)	(73,746)	(112,644)	(73,746)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	15(a)	(1,754,594)	(804,158)	(1,769,600)	(1,015,333)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for purchase of interests in permits		-	(1,613,796)	-	-
Payments for exploration and development expenditure		(854,921)	(1,359,469)	-	-
Proceeds from sale of permits		204,828	200,000	204,828	200,000
Purchase of plant & equipment		(93,250)	(25,830)	(8,951)	(13,218)
Proceeds from sale of plant & equipment		7,094	-	7,094	-
Purchase of shares in unlisted public company		-	(1,119)	-	(1,119)
Purchase of shares in subsidiary		-	-	-	(1,475,470)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(736,249)	(2,800,214)	202,971	(1,289,807)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances to controlled entities		-	-	(557,445)	(1,605,452)
Proceeds from issue of shares & options		2,294,278	-	2,294,278	-
Capital raising costs		(134,810)	-	(134,810)	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		2,159,468	-	1,602,023	(1,605,452)
NET INCREASE/(DECREASE) IN CASH HELD					
		(331,375)	(3,604,372)	35,394	(3,910,592)
Add opening cash brought forward		788,519	4,373,791	463,199	4,373,791
Effects of foreign exchange rate changes on cash		9,784	19,100	-	-
CLOSING CASH CARRIED FORWARD	15(b)	466,928	788,519	498,593	463,199

Notes to the Financial Statements

30 June 2002

1. Summary of Significant Accounting Policies

(a) Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention.

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The accounting policies adopted are consistent with those of the previous year except for the accounting policy with respect to earnings per share.

The consolidated entity has adopted the revised Accounting Standard AASB 1027 "Earnings Per Share" and has for the first time, determined basic and diluted earnings per share in accordance with the revised Standard. Basic earnings per share (EPS) was previously calculated by dividing the profit or loss from ordinary activities after tax by the weighted average number of ordinary shares outstanding during the financial year. In accordance with the revised AASB 1027, basic EPS is now calculated as net profit or loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS was previously determined by dividing the profit or loss from ordinary activities after tax adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial year. In accordance with AASB 1027, diluted EPS is now calculated as net profit or loss attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

The revised policy has had no effect on the derivation of basic and dilutive EPS for the 2002 financial year.

(b) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments at call readily convertible to cash.

(c) Recoverable amount

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value, except where specifically stated.

(d) Investments

Non-current investments are carried at the lower of cost and recoverable amount.

(e) Plant and equipment

The Company owns plant and equipment, which is carried at cost. Assets are depreciated at rates based upon their expected useful lives using the straight line method. Depreciation periods for all equipment are between 2 and 5 years (2001: 2 and 5 years).

(f) Joint ventures

Interest in the joint venture operation is brought to account by including in the respective classifications the share of individual assets employed and share of liabilities and expenses incurred.

(g) Deferred exploration, evaluation and development costs

Deferred exploration, evaluation and development costs represent acquisition costs and direct and exploration, evaluation and development costs incurred. These costs are only carried forward in respect of each separate area of interest for which rights of tenure are current and where such costs are expected to be recouped through successful development and economic exploitation of the area of interest.

All costs relating to activities in areas of interest which have not yet reached a stage that permits an assessment of the existence or otherwise of economically recoverable reserves are expensed as incurred.

Amortisation

Upon commencement of operations, expenditure is amortised on a units of production basis. Amortisation rates are based on Proven plus Probable reserve estimates.

(h) Employee entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Sick leave is not accrued as it is not of a material nature and any entitlement is not vested on termination of employment.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Employee entitlements expenses and revenues arising in respect of the following categories:

- (i) wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements; and
- (ii) other types of employee entitlements,

are charged against profits on a net basis in their respective categories.

The value of the employee share scheme described in note 17 is not being charged as an employee entitlement expense.

In respect of the consolidated entity's defined benefits superannuation plans, any contributions made to the superannuation funds by entities within the consolidated entity are charged against profits when due.

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Control of the goods has passed to the buyer.

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

(j) Comparison

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(k) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

(l) Principles of consolidation

The consolidated financial statements are those of the economic entity, comprising Carnarvon Petroleum NL (the parent entity) and all entities which Carnarvon Petroleum NL controlled from time to time during the year and at balance date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Notes to the Financial Statements (cont.)

30 June 2002

(m) Foreign currency

Transactions

Foreign currency transactions are initially translated into Australian dollars at the rate of exchange applying on the date of the transaction. The subsequent receipt of payment of funds relating to the transaction is translated at the rate applicable on the date of receipt of payment.

Assets and liabilities at balance date are translated at the rate of exchange prevailing on balance date.

Exchange gains or losses, whether realised or unrealised, from the translation of assets and liabilities are included in the determination of operating results.

Foreign operations

Strategic Exploration (Asia) Limited (SEAL), a wholly owned subsidiary, is accounted for in its functional currency being US\$. SEAL is an integrated operation and its financial statements are translated using the temporal rate method.

Hedges

The economic entity has no hedging instruments in place.

(n) Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

The income tax expense for the year is calculated using the 30% tax rate.

(o) Earnings per share

Basic EPS is calculated as net profit or loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit or loss attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(p) Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(r) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

	CONSOLIDATED		CARNARVON PETROLEUM NL	
	2002 \$	2001 \$	2002 \$	2001 \$
2. Revenues from Ordinary Activities				
Loss from ordinary activities before income tax is arrived at after taking into account:				
(a) Revenues from oil and gas operations				
Sales revenue				
Oil-SW1A Concession	986,763	533,490	-	-
Total revenues from oil and gas operations	986,763	533,490	-	-
(b) Cost of sales				
Production	(355,055)	(146,785)	-	-
Royalty and excise	(49,106)	(27,100)	-	-
Transportation	(80,321)	(45,148)	-	-
Depreciation of production assets	(20,000)	-	-	-
Amortisation	(24,529)	-	-	-
Selling, general and administration	(318,439)	(188,753)	-	-
Total cost of sales	(847,450)	(407,786)	-	-
(c) Other revenues from ordinary activities				
Interest – other persons/corporations	27,375	172,129	27,375	161,292
Proceeds from sale of exploration permits	205,828	-	205,828	-
Other	28	-	28	-
Total other revenues from ordinary activities	233,231	172,129	233,231	161,292
(d) Other expenses from ordinary activities				
Exploration costs incurred and expensed in current year	(111,686)	(379,806)	(111,686)	(379,806)
Corporate administration costs				
Administration	(1,363,846)	(977,689)	(1,362,900)	(974,455)
Depreciation – plant & equipment	(8,032)	(8,411)	(8,032)	(8,411)
Rental premises – operating lease	(139,243)	(115,503)	(139,243)	(115,503)
Provision for non-recovery of: Employee share loans	(59,550)	45,655	(59,550)	45,655
Total corporate administration costs	(1,570,671)	(1,055,948)	(1,569,725)	(1,052,724)
Total other expenses from ordinary activities	(1,682,357)	(1,435,754)	(1,681,411)	(1,432,530)
(e) Gains/(Losses)				
Unrealised foreign exchange gain/(loss) on: Translation of integrated subsidiary	(154,088)	190,224	-	-
Loan to subsidiary	-	-	(152,737)	-
Total gains/(losses)	(154,088)	190,224	(152,737)	-
Loss from ordinary activities before income tax	(1,463,901)	(947,697)	(1,600,917)	(1,271,238)

Notes to the Financial Statements (cont.)

30 June 2002

Note	CONSOLIDATED		CARNARVON PETROLEUM NL	
	2002 \$	2001 \$	2002 \$	2001 \$
3. Income Tax				
The prima facie income tax on operating loss differs from the income tax provided in the financial statements as follows:				
Prima facie income tax benefit on operating loss	439,170	322,217	480,275	432,221
Tax effect of permanent differences				
Foreign sourced income	41,510	45,328	-	-
Foreign sourced exploration expenditure	(16,382)	(50,561)	(16,382)	(50,561)
Expenditure of a capital nature	(39,384)	-	(39,384)	-
Current year tax benefit not brought to account	(424,914)	(316,984)	(424,509)	(381,660)
Income tax benefit attributable to operating loss	-	-	-	-
Income tax losses				
Future income tax benefit arising from tax losses of a controlled entity not brought to account at balance date as realisation of the benefit is not regarded as virtually certain	1,345,018	1,042,785	1,344,613	1,042,785

This future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

4. Receivables

CURRENT

Trade debtors	4(a)	64,374	110,667	-	-
Other debtors	4(a)	28,399	85,442	17,036	45,779
		92,773	196,109	17,036	45,779
Employee share loans	17(a)	177,800	177,800	177,800	177,800
Provision for non-recovery	17(a)	(162,610)	(153,310)	(162,610)	(153,310)
		15,190	24,490	15,190	24,490
		107,963	220,599	32,226	70,269

	Notes	CONSOLIDATED		CARNARVON PETROLEUM NL	
		2002 \$	2001 \$	2002 \$	2001 \$
4. Receivables (cont.)					
NON-CURRENT					
Permit security deposits		31,490	31,490	31,490	31,490
Amounts receivable from controlled entities	4(a)	–	–	2,703,509	2,298,801
Provision for non-recovery	4(a)	–	–	(693,349)	(693,349)
		–	–	2,010,160	1,605,452
Employee share loans	17(a)	343,600	320,600	343,600	320,600
Provision for non-recovery	17(a)	(152,525)	(102,275)	(152,525)	(102,275)
		191,075	218,325	191,075	218,325
		222,565	249,815	2,232,725	1,855,267

(a) Terms and Conditions

Terms and conditions relating to the above financial instruments

(i) Trade debtors are generally settled in the month after invoicing.

(ii) Details of the terms and conditions of related party receivables are set out in note 23.

5. Inventories

CURRENT

Production materials – at cost		65,558	–	–	–
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6. Prepayments and Other Current Assets

Prepayments and other current assets		55,495	32,680	14,931	6,902
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7. Other Financial Assets

NON-CURRENT

Shares in controlled entities – at cost	25	–	–	1,482,962	1,482,962
Shares in AusAm Resources Limited – at cost	(i)	282,876	282,876	282,876	282,876
		282,876	282,876	1,765,838	1,765,838

(i) AusAm Resources Limited is an unlisted public company. Its main activity is the exploration and development of oil and gas. Carnarvon Petroleum NL holds a 7.7% (2001: 10.7%) ownership interest in AusAm Resources Limited.

Notes to the Financial Statements (cont.)

30 June 2002

8. Joint Ventures

The economic entity has the following interests in joint venture operations:

Joint Venture	Principal Activities	Ownership Interest %	Related Party %
Thailand SW1A Concession	Exploration, development, production and marketing of crude oil	40%	–
Western Australia (Carnarvon Basin) EP110	Exploration for hydrocarbons	25.8585%	–
Papua New Guinea (Papuan Basin) PRLs 4 & 5 (ex PPL157) including the Stanley, Elevala and Ketu discoveries	Exploration for hydrocarbons	15%	–

Assets and liabilities in the Joint Venture are included in the financial statements as follows:

	CONSOLIDATED		CARNARVON PETROLEUM NL	
	2002 \$	2001 \$	2002 \$	2001 \$
CURRENT ASSETS				
Cash assets	919	253,734	–	–
Receivables	75,737	110,667	–	–
Inventories	65,558	–	–	–
Prepayments and other	40,565	65,441	–	–
TOTAL CURRENT ASSETS	182,779	429,842	–	–
NON-CURRENT ASSETS				
Property, plant and equipment	96,911	12,612	–	–
Exploration, evaluation and development costs	1,555,868	952,955	–	–
TOTAL NON-CURRENT ASSETS	1,652,779	965,567	–	–
TOTAL ASSETS	1,835,558	1,395,409	–	–
CURRENT LIABILITIES				
Payables	111,811	148,943	–	–
TOTAL LIABILITIES	111,811	148,943	–	–
NET ASSETS	1,723,747	1,246,466	–	–

Capital expenditure commitments and contingent liabilities in respect of the joint venture are disclosed in Notes 16 and 18 respectively.

<i>Note</i>	CONSOLIDATED		CARNARVON PETROLEUM NL	
	2002 \$	2001 \$	2002 \$	2001 \$

9. Plant and Equipment

Plant and equipment at cost	130,679	165,109	33,768	152,497
Accumulated depreciation	(40,672)	(133,176)	(20,672)	(133,176)

9(a)	90,007	31,933	13,096	19,321
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	CONSOLIDATION 2002 \$	CARNARVON PETROLEUM NL 2001 \$
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(a) Reconciliation

Reconciliation of the carrying amount of plant and equipment at the beginning and end of the current financial year

Plant and equipment

Carrying amount at beginning	31,933	19,321
Additions	93,250	8,951
Disposals	(7,144)	(7,144)
Depreciation expense	(28,032)	(8,032)
	90,007	13,096

<i>Note</i>	CONSOLIDATED 2002 \$	2001 \$	CARNARVON PETROLEUM NL 2002 \$	2001 \$
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10. Deferred Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development costs carried forward in respect of the SW1A Concession:

Pre-production

Exploration & development phases	3,964,997	3,144,389	-	-
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The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful further development and commercial exploitation or sale of the SW1A Concession.

11. Payables

CURRENT

Trade creditors	11(a)	22,575	138,767	-	-
Other creditors	11(a)	376,524	467,799	160,646	360,062
		399,099	606,566	160,646	360,062

(a) Terms and Conditions

Terms and conditions relating to the above financial instruments:

- (i) Trade and other creditors are non-interest bearing and are normally settled on 30 day terms

Notes to the Financial Statements (cont.)

30 June 2002

	Notes	CONSOLIDATED		CARNARVON PETROLEUM NL	
		2002 \$	2001 \$	2002 \$	2001 \$
12. Provisions					
CURRENT					
Employee leave entitlements	17	5,014	10,536	5,014	10,536

13. Contributed Equity

(a) Issued and paid up capital

Ordinary shares fully paid	40,293,593	38,111,125	40,293,593	38,111,125
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(b) Movements in shares on issue

	2002		2001	
	Number of Shares	\$	Number of Shares	\$
Beginning of the financial year	80,532,846	38,111,125	78,532,846	38,025,125
Issued during the year				
– employee share scheme	500,000	23,000	2,000,000	86,000
– public equity raising less transaction costs	43,485,577	2,294,278 (134,810)	–	–
End of the financial year	124,518,423	40,293,593	80,532,846	38,111,125

(c) Share options

The following options over ordinary shares were issued during the financial year:

Date Issued	Number of Options	Exercise Price \$	Expiry Date
2 August 2001	6,000,000	0.25	31 July 2002
26 October 2001	6,480,000	0.20	31 December 2002
29 November 2001	8,975,223	0.20	31 December 2002
17 December 2001	15,399,747	0.20	31 December 2002
10 January 2002	6,630,607	0.20	31 December 2002

The options were issued for no consideration.

Unissued ordinary shares of the Company under option:

Expiry date	Exercise Price \$	Number of Options	
		2002	2001
28 July 2001 (since expired)	4.00	–	7,373,680
31 July 2002 (since expired)	0.25	43,953,645	37,953,645
31 December 2002	0.20	37,485,577	–
31 December 2003	0.20	10,000,000	10,000,000

(d) Terms and conditions of contributed equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on, shares held.

	CONSOLIDATED		CARNARVON PETROLEUM NL	
	2002 \$	2001 \$	2002 \$	2001 \$
14. Accumulated Losses				
Balance at the beginning of the year	(33,977,416)	(33,029,719)	(34,300,927)	(33,029,689)
Operating loss attributable to members of Carnarvon Petroleum NL	(1,463,901)	(947,697)	(1,600,917)	(1,271,238)
Balance at the end of the year	(35,441,317)	(33,977,416)	(35,901,844)	(34,300,927)

15. Statement of Cash Flows

(a) Reconciliation of the operating loss after tax to the net cash flows used in operations

Loss from ordinary activities after tax	(1,463,901)	(947,697)	(1,600,917)	(1,271,238)
Provision for diminution – employee share loans	59,550	(45,655)	59,550	(45,655)
Amortisation of deferred exploration evaluation and development costs	24,529	–	–	–
Depreciation – plant & equipment	28,032	8,411	8,032	8,411
Unrealised foreign exchange (gain)/loss	–	(190,224)	152,737	–
Profit on sale of exploration permits	(204,778)	–	(204,778)	–

Changes in assets and liabilities:

Receivables	103,336	(136,063)	28,743	14,267
Inventories	(65,558)	–	–	–
Prepayments	(22,815)	(24,515)	(8,029)	1,263
Accounts payable	(207,467)	533,960	(199,416)	279,994
Employee entitlements	(5,522)	(2,375)	(5,522)	(2,375)

Net cash flows used in operating activities	(1,754,594)	(804,158)	(1,769,600)	(1,015,333)
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(b) Reconciliation of cash

Cash balance comprises:				
Cash at bank and at call	466,928	788,519	498,593	463,199
Closing cash balance	466,928	788,519	498,593	463,199

(c) Financing facilities available

At balance date the Company was not utilising any financing facilities.

(d) Non-cash financing and investment activities

Issue of shares under the employee share scheme	23,000	86,000	23,000	86,000
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Notes to the Financial Statements (cont.)

30 June 2002

Notes	CONSOLIDATED		CARNARVON PETROLEUM NL	
	2002 \$	2001 \$	2002 \$	2001 \$
16. Expenditure Commitments				
(a) Capital expenditure commitments				
Estimated capital expenditure contracted for at balance date, but not provided for, payable:				
Not later than one year				
Joint venture	89,205	208,848	-	-
(b) Lease expenditure commitments				
Operating leases (non cancellable)				
Not later than one year				
	69,272	34,750	69,272	34,750
Aggregate lease expenditure contracted for at balance date				
	69,272	34,750	69,272	34,750
Aggregate expenditure commitments comprise:				
Amounts not provided for at balance date				
Rental commitments	69,272	34,750	69,272	34,750

Due to the nature of consolidated entity's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature or amount of future expenditure, although it will be necessary to incur expenditure in order to retain the entity's present permit interests. Expenditure commitments on exploration permits can be reduced by selective relinquishment of exploration tenure, by the renegotiation of expenditure commitments and by farming out portions of the entity's equity. The Company forecasts its exploration commitments for 2002/03 to be approximately \$30,000 (actual 2001/02: \$18,833).

17. Employee Entitlements

Aggregate employee entitlements, including on-costs

The aggregate employee entitlement liability is comprised of:

Provisions (Current)	12	5,014	10,536	5,014	10,536
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At the Annual General Meeting held on 16 October 1997 the shareholders approved the Carnarvon Employee Share Plan and a loan arrangement scheme to assist in funding the acquisition of Plan Shares.

Under the terms of the Plan:

- (i) the Company may, in its absolute discretion, make an offer of ordinary fully paid shares in Carnarvon Petroleum NL to any eligible employee;
- (ii) an eligible employee is any person who is a director or employee of Carnarvon Petroleum NL or any of its subsidiaries;
- (iii) the issue price is determined by the directors and is not to be less than the weighted average market price of the Company's shares on the five trading days prior to the proposed date of offer;
- (iv) transfer of shares is limited within the first two years;
- (v) eligible employees receive an interest free advance to acquire the shares;
- (vi) the maximum liability of the advance is the market value of the shares from time to time;
- (vii) the carrying value of advances made to eligible employees is the lower of the equivalent market value of the shares from time to time or the price of the shares at the time the shares were issue to eligible employees;
- (viii) the eligible employee is the legal owner of the shares subject to the provisions of the loan agreement between the Company and the eligible employee; and
- (ix) Australian Stock Exchange Listing Rules require the Company to obtain shareholder approval for the issue of shares to directors.

17. Employee Entitlements (cont.)

At balance date there were 9 (2001: 8) eligible participant employees.

During the financial year, 500,000 (2001: 2,000,000) shares were issued at an issue price of 4.6 cents (2001: 4.3 cents) each for a value of \$23,000 (2001: \$86,000) which was funded under the loan arrangement scheme with the Company. The market value of the 500,000 (2001: 2,000,000) shares at the date of issue was \$23,000 (2001: \$86,000). At balance date the market value of the shares was \$24,500 (2001: \$158,000).

In respect to the eligible employees who ceased employment during the year, Nil (2001: Nil) shares were disposed of by the Company Secretary as agent. During last year, Nil (2001: \$9,417) was used to repay the advances under the loan arrangement scheme. During the year there was also a further 310,000 (2001: 310,000) shares being held by the Company Secretary as agent for employees who have ceased employment with a market value of \$15,190 (2001: \$24,490).

At balance date, there were 4,485,000 (2001: 3,985,000) shares on issue in respect to eligible employees with a market value of \$219,765 (2001: \$314,815).

The advances in respect to the shares on issue or being held have been written down to market value as at balance date.

The following amounts were recognised in the financial statements in relation to shares issued during the financial year under the Carnarvon Employee Share Plan:

	CONSOLIDATED		CARNARVON PETROLEUM NL	
	2002 \$	2001 \$	2002 \$	2001 \$
Share capital	23,000	86,000	23,000	86,000

(b) Superannuation Commitments

Employees make contributions to employee superannuation plans based on various percentages of their salary and wage. The consolidated entity has a legal obligation to contribute to the plans to the extent of the superannuation guarantee legislation and the specific terms of individual employment contracts.

Employer contributions to the plans	55,510	28,240	55,510	28,240
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18. Contingent Liabilities

Controlled Entities

- Carnarvon Petroleum NL has agreed not to recall the loans owing by its controlled entities where it would result in the controlled entity not being able to meet its debts and commitments as they fall due.
- In accordance with normal petroleum industry practice, the consolidated entity has entered into joint ventures and farmin agreements with other parties for the purpose of exploring and developing its petroleum permit interests. If a party to a joint venture defaults and does not contribute its share of joint venture obligations, then the other joint venturers are liable to meet those obligations. In this event, the interest in the permit held by the defaulting party may be redistributed to the remaining joint venturers.
- Securities have been placed in favour of the Independent State of Papua New Guinea in respect of the compliance with the conditions of Petroleum Prospecting Licences (PPLs) granted to the Company and its joint venturers, totalling \$31,490 (2001: \$31,490).
- If a discovery is made within an exploration permit in which a Native Title claim has been made and a production licence is sought in respect of that exploration permit, the issue of the production licence may be subject to the right to negotiate procedures set out in the Native Title Act. If no agreement is reached with the claimants, the National Native Title Tribunal will conduct a hearing to determine whether the licence can be granted, and if so on what conditions. A condition of the grant may be the payment of compensation.

Notes to the Financial Statements (cont.)

30 June 2002

19. Segment Information

Geographical Segments	Australia		Thailand		Papua New Guinea		Consolidated	
	2002 \$	2001 \$	2002 \$	2001 \$	2002 \$	2001 \$	2002 \$	2001 \$
Revenue								
Sales to customers outside the consolidated entity	-	-	986,763	533,490	-	-	986,763	533,490
Other revenue from customers outside the consolidated entity	233,231	172,129	-	-	-	-	233,231	172,129
Total segment revenue	233,231	172,129	986,763	533,490	-	-	1,219,994	705,619
Results								
Segment result	(1,583,229)	(1,075,020)	138,367	178,253	(19,039)	(50,930)	(1,463,901)	(947,697)
Assets								
Exploration and development costs	-	-	3,964,997	3,144,389	-	-	3,964,997	3,144,389
Other	1,032,797	1,084,195	227,105	490,737	31,490	31,490	1,291,392	1,606,422
Total segment assets	1,032,797	1,084,195	4,192,102	3,635,126	31,490	31,490	5,256,389	4,750,811
Liabilities								
Total segment liabilities	165,660	370,598	238,453	246,504	-	-	404,113	617,102
Other segment information:								
Acquisition of property, plant and equipment and other non-current assets	8,951	14,337	939,220	2,985,877	-	-	948,171	3,000,214
Depreciation	8,032	8,411	20,000	-	-	-	28,032	8,411
Amortisation	-	-	24,529	-	-	-	24,529	-
Other non-cash expenses	59,550	-	-	-	-	-	59,550	-

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

CONSOLIDATED		CARNARVON PETROLEUM NL	
2002	2001	2002	2001
\$	\$	\$	\$

20. Remuneration of Directors

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party.

434,346	370,738
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Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Carnarvon Petroleum NL, directly or indirectly, from the entity or any related party.

434,346	370,738
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The number of directors of Carnarvon Petroleum NL whose income (including superannuation contributions) falls within the following bands is:

\$	2002	2001
0 – 9,999	3	1
10,000 – 19,999	1	2
20,000 – 29,999	1	1
30,000 – 39,999	–	1
40,000 – 49,999	–	1
50,000 – 59,999	–	1
60,000 – 69,999	–	1
70,000 – 79,999	–	1
80,000 – 89,999	–	1
90,000 – 99,999	–	1
100,000 – 109,999	–	1
110,000 – 119,999	–	1
120,000 – 129,999	–	1
130,000 – 139,999	–	1
140,000 – 149,999	–	1
150,000 – 159,999	1	—
160,000 – 169,999	1	—
170,000 – 179,999	1	—
180,000 – 189,999	1	—
190,000 – 199,999	1	—
200,000 – 209,999	1	—
210,000 – 219,999	1	—

21. Remuneration of Executives

Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is \$100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise.

214,530	–
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Remuneration received or due and receivable by executive officers of the Company whose remuneration is \$100,000 or more, from the Company or any related party, in connection with the management of the affairs of the Company or any related party whether as an executive officer or otherwise.

214,530	–
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The number of executive officers of Carnarvon Petroleum NL whose income (including superannuation contributions) falls within the following bands is:

\$	2002	2001
210,000 – 219,999	1	—

Notes to the Financial Statements (cont.)

30 June 2002

	CONSOLIDATED		CARNARVON PETROLEUM NL	
	2002	2001	2002	2001
	\$	\$	\$	\$
22. Remuneration of Auditors				
Amounts received or due and receivable by the auditors of Carnarvon Petroleum NL and the consolidated entity for an audit and review of the financial report of the Company and any other entity in the consolidated entity.	52,874	20,055	52,874	20,055
Other services in relation to the entity and any other entity in the consolidated entity.	17,750	49,511	17,750	49,511
Audit of overseas operations by an overseas branch of the auditors of Carnarvon Petroleum NL.	9,000	15,000	-	-
	<u>79,624</u>	<u>84,566</u>	<u>70,624</u>	<u>69,566</u>

23. Related Party Disclosures

(a) The directors of Carnarvon Petroleum NL during the financial year were:

AG Shelton
KC Tregonning
DJ Orth
NC Fearis
WT Beckwith
DT Cowlan
GHC White

(b) Carnarvon Petroleum NL is the ultimate parent entity.

23. Related Party Disclosures (cont.)

(c) Equity instruments of directors

Interests in the equity instruments of entities in the consolidated entity held by directors of the reporting entity and their director-related entities at balance date are as follows:

Notes	1 July 2001	Acquired/ (Sold, Cancelled, Disassociated)	Employee Share Plan	30 June 2002
Ordinary shares				
AG Shelton (i)	-	2,796,021	-	2,796,021
KC Tregonning (i)	4,000,000	1,516,667	-	5,516,667
NC Fearis (i)	800,000	400,000	-	1,200,000
DJ Orth (i)	2,000,000	666,667	-	2,666,667
WT Beckwith (ii)	4,123,720	(4,123,720)	-	-
DT Cowlan (ii)	1,200,000	(1,200,000)	-	-
GHC White (ii)	2,713,482	(2,713,482)	-	-
TOTAL	14,837,202	(2,657,847)	-	12,179,355
31 July 2002 Options (since expired)				
GHC White (ii)	1,131,741	(1,131,741)	-	-
KC Tregonning	100,610	-	-	100,610
WT Beckwith (ii)	4,008,335	(4,008,335)	-	-
TOTAL	5,240,686	(5,140,076)	-	100,610
31 December 2002 Options				
AG Shelton	-	833,334	-	833,334
KC Tregonning	-	1,366,667	-	1,366,667
NC Fearis	-	400,000	-	400,000
DJ Orth	-	666,667	-	666,667
TOTAL	-	3,266,668	-	3,266,668
31 December 2003 Options				
KC Tregonning	5,000,000	-	-	5,000,000
DJ Orth	5,000,000	-	-	5,000,000
TOTAL	10,000,000	-	-	10,000,000

Note:

- (i) The following directors subscribed for ordinary shares in the Company as part of the capital raising initiatives completed after balance date (refer to note 27):

Name of Director	No. of Ordinary Shares
AG Shelton	1,271,400
KC Tregonning	671,400
NC Fearis	371,400
DJ Orth	191,400

- (ii) On 12 July 2001, Messrs Beckwith and Cowlan resigned as directors of the Company and ceased to be related parties. On 1 April 2002, Mr White retired as Chairman and director of the Company and ceased to be a related party.

The above holdings are calculated according to the provisions of the Corporations Law. Under that law, a shareholder may have a relevant interest in, or an entitlement to, certain shares without having any beneficial interest in those shares.

Notes to the Financial Statements (cont.)

30 June 2002

23. Related Party Disclosures (cont.)

(d) Wholly owned group

The following related party transactions occurred during the financial year within the wholly owned group.

During the reporting period there have been transactions between the Company and its controlled entities. The Company provided accounting and administrative services to its controlled entities for which it did not charge a management fee.

The Company also provided interest free funding for exploration and development expenditure to its controlled entities during the year amounting to \$557,445 (2001: \$1,605,452). The outstanding balance of loans made by Carnarvon Petroleum NL to its controlled entities at 30 June 2002 was \$2,703,509 (2001: \$2,298,801) of which \$693,349 (2001: \$693,349) has been provided for. These loans are unsecured and have no fixed terms of repayment.

(e) Other transactions

Mr AG Shelton is a director of Andrew Shelton & Co Pty Ltd. That company provided financial consulting services to the consolidated entity in relation to the SW1A Concession in Thailand. The total value of consulting fees paid or payable was \$45,000 (2001: Nil).

Mr NC Fearis is a director of Pendomer Investments Pty Ltd. That company provided services to the consolidated entity in relation to general corporate matters. The total value of fees paid was \$16,362 (2001: Nil).

Mr KC Tregonning is a director of Winlen Pty Ltd. That company provided a Melbourne based fully serviced office to the consolidated entity. The total value of licence fees paid was \$82,787 (\$47,305).

The terms and conditions of the above transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms length basis.

24. Financial Instruments

(a) Interest rate risk

The Company's exposure to interest rate risk is considered minimal. The only financial asset or financial liability subject to fluctuations in interest rates is the cash balance which is at a floating rate.

(b) Net fair values

The aggregate net fair value of financial assets and financial liabilities, at balance date, is the same as or approximates the carrying amount disclosed in the statement of financial position.

(c) Credit risk exposures

The Company's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position.

Concentrations of credit risk

The Company considers its exposure to credit risk as minimal. Amounts receivable by the Company relate to either:

- (i) costs charged to related entities for which the Company awaits reimbursement; or
- (ii) amounts advanced to employees which are repayable under the terms of the Carnarvon Employee Share Plan which requires repayment on sale of the shares.

25. Controlled Entities and Contribution to Consolidated Entity Profit/(Loss)

Name	% held by parent entity		Book value of shares held		Contribution to consolidated entity profit/(loss)	
	2002 %	2001 %	2002 \$	2001 \$	2002 \$	2001 \$
Carnarvon Petroleum NL					(1,602,268)	(1,271,238)
Controlled entities of Carnarvon Petroleum NL:						
Lassoc Pty Ltd	100	100	20	20	—	—
SRL Exploration Pty Ltd	100	100	10	10	—	—
Strategic Exploration (Asia) Ltd	100	100	1,482,932	1,482,932	138,367	323,541
			1,482,962	1,482,962	(1,463,901)	(947,697)

26. Earnings Per Share

	2002	2001
(a) Basic earnings per share (cents per share)	(1.4)	(1.2)
(b) Diluted earnings per share (cents per share)	(1.4)	(1.2)
(c) Weighted average number of ordinary shares on issue used in the calculation of earnings per share	107,429,976	78,861,613
(d) Earnings used in calculating basic and diluted earnings per share	\$(1,463,901)	\$(947,697)

Details of share issues made subsequent to the end of the financial year are contained in note 27 to the financial statements.

27. Subsequent Events After Balance Date

At a general meeting of shareholders held on 5 September 2002, the shareholders of the Company approved the following capital raising initiatives:

- The issue to shareholders of up to 18,750,000 ordinary shares at 4.2 cents per shares pursuant to a share purchase plan. The Company received acceptances for 17,073,200 shares and raised \$717,074; and
- The issue of up to 30,000,000 ordinary shares at 4.2 cents per share pursuant to a placement of shares. The placement was fully subscribed and the Company raised \$1,260,000.

On 6 September 2002, the Company received US\$800,000 from Gemini Oil & Gas Limited (“Gemini”) pursuant to an investment agreement whereby Gemini agreed to fund the drilling of up to 4 wells on the Company’s 40% owned SW1A Concession in Central Thailand in exchange for royalty payments from oil produced from the F Sandstone formation in Production Licences 1 and 2 of the Wichian Buri oil field.

Directors' Declaration

In accordance with a resolution of the directors of Carnarvon Petroleum NL, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and 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.

Signed in accordance with a resolution of the directors.

AG Shelton
Director

Perth 23 September 2002

Independent Audit Report

To the members of Carnarvon Petroleum NL

Scope

We have audited the financial report of Carnarvon Petroleum NL for the financial year ended 30 June 2002 as set out on pages 13 to 34, including the Directors' Declaration. The financial report includes the financial statements of Carnarvon Petroleum NL, and the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at year's end or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements in Australia, so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Carnarvon Petroleum NL is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

ERNST & YOUNG

P Fry
Partner

Perth
Date: 23 September 2002

Corporate Governance

The Board of directors of Carnarvon Petroleum NL is responsible for the corporate governance of the economic entity. The Board guides and monitors the business and affairs of Carnarvon Petroleum on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

Composition of the Board

The Composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise at least four directors and should maintain a majority of non-executive directors;
- the chairperson should be a non-executive director;
- the Board should comprise of directors with an appropriate range of qualifications and expertise; and
- the Board shall meet at least bi-monthly and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The directors in office at the date of this statement are:

Name	Position
AG Shelton	Non-Executive Director (Chairman)
KC Tregonning	Managing Director and CEO
DJ Orth	Executive Director
NC Fearis	Non-Executive Director

Board responsibilities

As the Board acts on behalf of, and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The Board is responsible for corporate development matters and ensuring the Company's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved and include the following mechanisms:

- implementation of operating plans and budgets and Board monitoring of progress against budget - this includes the identification of significant variances; and
- procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

The responsibility for the administration function of the consolidated entity is delegated by the Board to the Company Secretary. The Board ensures that the Company Secretary is appropriately qualified and experienced to discharge his responsibilities.

The Board of directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders;
- the half-yearly report which is available;
- the annual general meeting and other meetings so called to obtain approval for Board action as appropriate; and
- establishment of a world-wide web page on all aspects of the Company which is updated on a regular basis.

Remuneration

The Board is responsible for determining compensation arrangements for employees in consultation with independent expert advice at the Company's expense where appropriate.

Share trading by directors and officers

The directors and officers of Carnarvon Petroleum NL are not permitted to engage in short-term trading of the Company's shares and must notify the Board in advance of any proposed transactions involving the Company's shares. In addition directors and officers are prohibited from buying or selling the Company's shares during the drilling of a well in which Carnarvon has an interest and from one week prior to the commencement of drilling and up to one week after the drilling of any well is completed.

ASX Additional Information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is made up to 16 September 2002.

1. Analysis of shareholdings

Size of Holdings	Number of Shareholders	Number of Option Holders (31 December 2002)	Number of Option Holders (31 December 2003)
1 – 1,000	1,902	352	—
1,001 – 5,000	1,450	158	—
5,001 – 10,000	463	42	—
10,001 – 100,000	847	74	—
100,000 – and over	275	53	2
Total number of holders	4,937	679	2

- The number of shareholders holding less than a marketable parcel was 3,621.
- Voting Rights - no restrictions apply. On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote.
- The names of the twenty largest holders of securities.

Shareholders	Number of Shares	%
Hamilton Capital Partners Limited	9,687,942	5.65
Danari Holdings Pty Ltd	5,000,000	2.91
Oasis International General Trading LLC	4,820,513	2.81
Arne Investments Pty Ltd	4,067,421	2.37
Jeffrey Frank Fradd	3,600,000	2.10
Kenneth Tregonning & Brenda Leung Tregonning	3,000,000	1.75
Alakor Corporation Inc.	2,487,703	1.45
Miss Ching-Yu Chen	2,100,000	1.22
Snowy River Trading Store Pty Ltd <Troy White Family A/C>	2,071,400	1.21
CNW (Explorations) Pty Ltd	2,049,282	1.19
Resource Management Associates Pty Ltd	2,000,000	1.17
Ms Robyn Fitzgerald	1,600,000	0.93
Massif Limited	1,600,000	0.93
Bruce Birnie Pty Ltd	1,526,285	0.89
Commodity Traders (NZ) Limited	1,500,000	0.87
Kefu Underwriting Pty Ltd	1,500,000	0.87
Pendomer Investments Pty Ltd	1,300,000	0.76
ANZ Nominees Limited	1,264,217	0.74
Lawrence Crowe Consulting Pty Ltd <LCC Super Fund A/C>	1,191,260	0.69
Miss Dolly Viona Thom	1,004,732	0.59
Total	53,370,755	31.10

4. The names of the twenty largest holders of securities (continued)

Option Holder (31 December 2002)	Number of Options	%
Oasis International General Trading LLC	3,666,667	9.78
Aquatreat Services Pty Ltd	3,230,000	8.62
Ms Robyn Fitzgerald	1,600,000	4.27
Mrs Lindy-Jo Free	1,500,000	4.00
Hamilton Capital Partners Limited	1,195,238	3.19
Ms Ching-Yu Chen	1,061,650	2.83
Lastrane Pty Ltd	1,000,001	2.67
Mr Derek Thomas Cowlan	1,000,000	2.67
Mr Gary Noel Kennedy	963,941	2.57
Arne Investments Pty Ltd	833,334	2.22
Julal Pty Ltd	810,693	2.16
Mr Philip Andrew Daffy	800,000	2.13
Mr Kenneth Charles Groves	800,000	2.13
Massif Limited	800,000	2.13
Mr Kenneth Tregonning & Mrs Brenda Leung Tregonning	700,000	1.87
Mrs Voula Theonas	688,587	1.84
Resource Management Associates Pty Ltd	666,667	1.78
Mr Daniel John Gollan	650,000	1.73
Alakor Corporation Inc.	621,926	1.66
Mr Ron Thomas Lewis & Mrs Catherine Mary Lewis	590,001	1.57
Total	23,178,705	61.82

Option Holder (31 December 2003)	Number of Options	%
KC Tregonning	5,000,000	50.0
DJ Orth	5,000,000	50.0
Total	10,000,000	100.0

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