CARNARVON
PETROLEUM LTD

Annual Report 2015

Carnarvon Petroleum Limited
ABN 60 002 688 851

Contents

Corporate Directory

Directors

PJ Leonhardt (Chairman)
AC Cook (Managing Director)
EP Jacobson (Non-Executive Director)
WA Foster (Non-Executive Director)
P Moore (Non-Executive Director)

Company Secretary

T Naude

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Crowe Horwath Perth

Bankers

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National Australia Bank Limited
HSBC

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Share Registry

Link Market Services Limited
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Perth, WA 6000 Australia

Investor Enquiries:	1300 554 474 (within Australia)
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Stock Exchange Listing

Carnarvon Petroleum Limited's shares are quoted on the Australian Securities Exchange.

ASX Code:	CVN - ordinary shares
	CVNO - options

CARNARVON
PETROLEUM LTD

Chairman's Review

I am delighted to present the 30 June 2015 Annual Report for Carnarvon Petroleum. This year we have made excellent progress on a number of fronts and continue to execute our transition into a North West Shelf of Australia focused company.

The most important event this year was the oil discovery in the Phoenix South-1 well. This result was significant because it was both the first oil discovery in the Roebuck basin and also proved a new play type in the North West Shelf. The positive result from this well led to Quadrant Energy joining Carnarvon in the surrounding permits, the Joint Venture committing to drill the Roc-1 well and the acquisition of a significant volume of new 2D and 3D seismic data. The Roc-1 well is scheduled for drilling in late 2015 and I join you in eagerly awaiting the results. In addition to the near term Roc-1 exploration well, I am encouraged by the extent of the work being undertaken to assess the potential that lies within Australia's newest hydrocarbon province.

During the year, the Company also completed the divestment of its international portfolio and sold the remaining 20% of its Thailand interests. This was a key component in the company's transformation into a technically driven oil and gas exploration company focussing on the North West Shelf of Australia. Over the last three years the company has been dedicated to building a very experienced new ventures team committed to capturing opportunities in the North West Shelf. We now have over a dozen professionals with great depth of experience in Australia and globally. Throughout this period Carnarvon has also been building a superior North West Shelf database to complement our new ventures team. The primary focus of the entire board and management team is on extracting the maximum value from the existing asset portfolio and capitalising on one or more of the high impact opportunities that have been identified in the North West Shelf by the new ventures team.

On the matter of our people, and appreciating the sensitivity of remuneration matters in the current climate, I feel it is appropriate to note that the Board agreed this year to provide bonuses to staff. This decision was based on detailed assessments of personal performances coupled with the delivery of key milestones including

We now have over a dozen professionals with great depth of experience in Australia and globally

the oil discovery in the Phoenix South-1 well, the divestment of the Thailand asset interest in challenging industry conditions and extending the cost carry to cover all drilling and testing activities in WA-437-P to a cap of $70 million. In the background the Cerberus project technical work was completed, with promotional activities commencing to bring the potential of these blocks to the attention of the majors, and the Company's North West Shelf regional mapping, data base and software maturity was significantly advanced.

I would also like to take this opportunity to welcome our new non-executive director, Dr Peter Moore to the Board. His relationships and experience, particularly in the North West Shelf complements our new ventures capability and strengthens Carnarvon's position as a premier North West Shelf exploration company.

There is no doubt the oil price has made market conditions very difficult this year, however I remain very optimistic about this company when you consider the strong cash position, a receivable of up to US$32m generating future cash flow, the free carried Roc-1 well due for drilling soon, the discovered resources at Phoenix and Phoenix South and the broader potential in the Phoenix acreage that we intend to uncover in the coming years.

I would conclude by thanking our shareholders for their support and patience without which we would not be able to develop and grow the business. I believe our shareholders are in good hands with an excellent team at Carnarvon who are all looking forward with great enthusiasm to the next year and the unveiling of the next phase of the Company's transition.

Peter Leonhardt
Chairman

Overview of Operations

There were several defining events for the Company during the 2014/2015 reporting period:

> Strong Financial resources with cash of approximately $97 million, no debt, minimal commitments and receivables of up to US$32 million due from future oil sales revenue

- The discovery of oil in the play opening Phoenix South-1 well in WA-435-P in Western Australia;
- Increasing carried well cost caps from US$50 million to US$70 million (gross) for the Roc-1 well in the adjoining WA-437-P permit;
- Divesting the remaining half of the Company's Thai oil production asset in challenging market conditions;

These events have left the Company in a good position at the end of the financial year with:

- The Roc-1 well, funded by Quadrant Energy and JX Nippon to US$70 million, scheduled to be drilled in the last quarter of calendar 2015;
- Additional seismic being acquired across the greater Phoenix area;
- Technical work ongoing at low commitment in the Cerberus Project acreage in Western Australia which has the potential to replicate the Phoenix farm-out model; and
- Strong Financial resources with cash of approximately $97 million, no debt, minimal commitments and receivables of up to US$32 million due from future oil sales revenue.

The discovery of oil in the play opening Phoenix South-1 well in WA-435-P in Western Australia

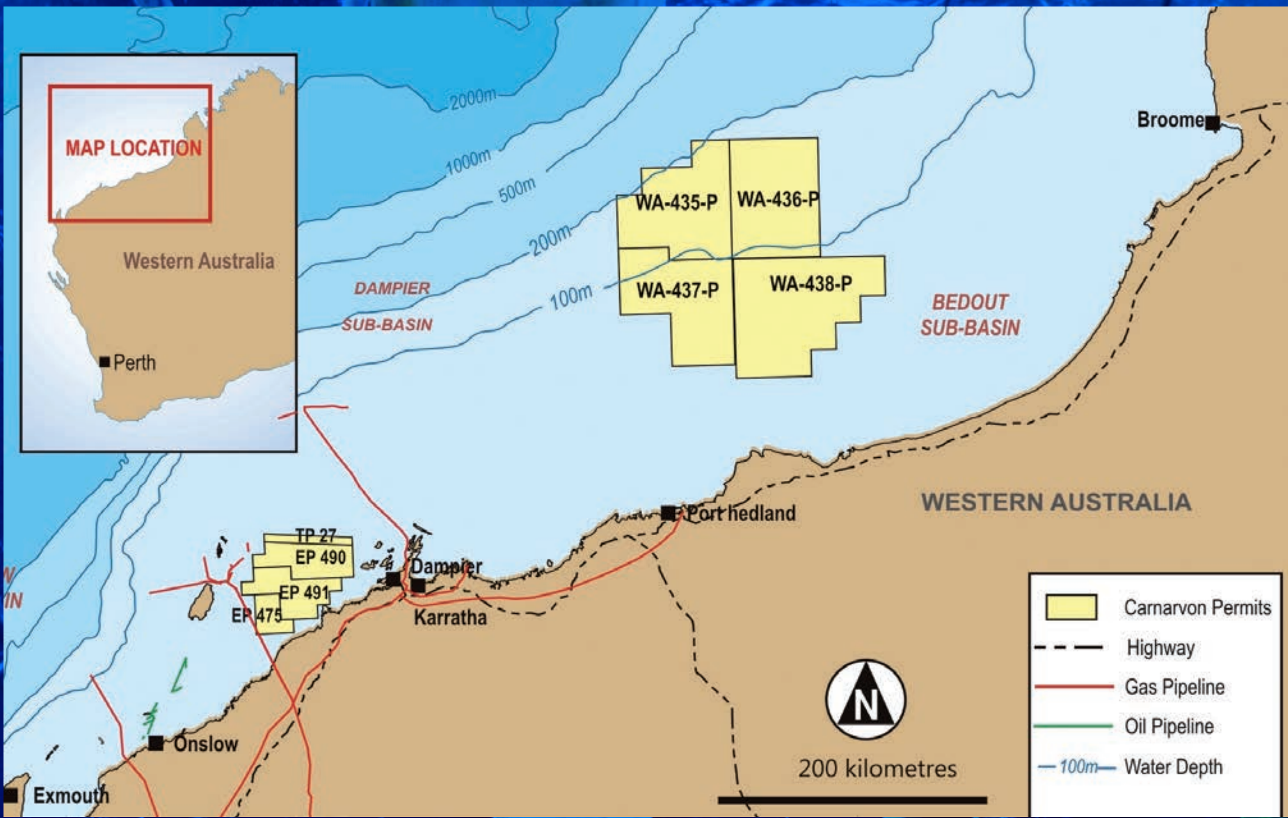


Figure 1: Carnarvon Interests as at 30 June 2015 in Australia

Australian Operations

Phoenix Project

In 2008 Carnarvon secured exploration acreage offshore of Western Australia comprising four exploration permits (WA-435-P, WA-436-P, WA-437-P and WA-438-P) covering approximately 22,000km^2. These permits are situated in the north-western region of the Bedout Sub-basin within the greater Roebuck Basin. The permits lie between the prolific Carnarvon Basin hydrocarbon province to the southwest and the Browse Basin to the northeast. The town of Port Hedland lies approximately 150 kilometres to the south of the permits and Broome lies 250 kilometres to the northeast.

The Joint Venture embarked on an extensive geological study, acquiring 1,100 km^2 of multi-client 3D seismic and another 407 kilometres of 2D seismic data through to mid-2013. A study of the first set of 3D data confirmed two significant prospects, Phoenix South within WA-435-P; and Roc in WA-437-P.

Carnarvon and its partner, Finder Exploration, were successful in attracting new partners to fund their share of well costs in drilling exploratory wells searching for hydrocarbons.

The Phoenix South-1 well was drilled in the WA-435-P permit in mid to late 2014 discovering light oil while the Roc-1 well is planned to be drilled in WA-437-P late in 2015.

WA-435-P permit

(Carnarvon 20%, Finder Exploration 20%, JX Nippon 20%, Quadrant Energy 40% and Operator)

The Phoenix South-1 well commenced operations in May 2014 and drilling was completed in late August 2014, resulting in the first oil discovery in the offshore Roebuck Basin (Bedout Sub-Basin), a play-opening discovery.

The Phoenix South-1 well reached a total depth (“TD”) of around 4,595m encountering an overall sand rich package between 4,160m and TD. The well intersected at least four discrete oil columns ranging in thickness from 26 to 46 metres. Six oil samples were recovered from these sands.

The oils recovered are light black oils with API gravities of 46 to 48 degrees, which is high quality oil. Reservoir permeability inferred from pressure build-up during oil sampling ranges from tens to hundreds of millidarcies. The ability for oil to flow from the reservoir is demonstrated by the recovery of these six oil samples, as well as being supported by the reservoir permeability results and is indicative of a productive oil reservoir. The oils are significantly under-saturated and there is no indication of a primary gas cap.

DeGolyer and MacNaughton were engaged by Carnarvon to provide an initial independent assessment of prospectivity and volumes in the area. They assessed the best estimate of recoverable oil at Phoenix South to be 19 million barrels*.

Importantly, the report by DeGolyer and MacNaughton also assessed that Phoenix-1 drilled in 1980 by BP was an oil discovery that contains a best estimate of recoverable oil of 9 million barrels*. This independently validates two proven discoveries with a total contingent resource of 31 million barrels (best case, aggregated 2C resource estimate)*.

New 2D and 3D seismic data is being acquired and the results are expected to support follow-up drilling in 2016 and beyond.The proven Lower Keraudren play will be the initial focus of future regional exploration and drilling, however several other plays have been identified within the sub-basin that have the potential to be charged by the same source rocks, including deeper Permian and shallower Lower to Middle Jurassic age reservoirs.

This Phoenix South-1 well has further significance, beyond being an oil discovery, because it has opened up the prospectivity of an entirely new hydrocarbon province in Australia and more importantly it demonstrates that there is a new play concept in the North West Shelf. This was the first time in the North West Shelf an oil discovery has been made in the Lower Keraudren reservoir interval which sits in the Lower Triassic aged sediments.

The Phoenix South-1 discovery has provided a significant amount of important data to update exploration models, volume estimates and assumptions in the basin. Whilst a lot more technical work has to be undertaken, we are already strongly encouraged that further exploration could lead to more discoveries in the area.

* Refer to Degolyer and MacNaughton report release to the ASX on 7 April 2015.

WA-437-P permit

(Carnarvon 20%, Finder Exploration 20%, JX Nippon 20%, Quadrant Energy 40% and Operator)

The discovery of oil at Phoenix South-1 in the adjacent WA-435-P permit and further detailed technical work on the existing datasets have resulted in a vastly revised view of prospectivity as evidenced by the updated prospects and leads map across WA-437-P and adjacent permits.

Within the already acquired Phoenix MC3D area a number of prospects have been identified and the Joint Venture has confirmed the Roc-1 well is to be drilled in 2015. The Roc prospect is interpreted to be both larger and shallower than Phoenix South-1, and is the next major geological structure along the spill chain from Phoenix South, and is consequently expected to be similarly oil charged.

DeGolyer and MacNaughton have also assessed the Roc prospect and interpret a best case estimate of recoverable oil of 42 million barrels*. With a probability of geological success of 42%*, this prospect is one of the most attractive exploration prospects in the North West Shelf at this point in time especially in combination with the contingent resource estimates for the nearby Phoenix South-1 and Phoenix-1 discoveries.

In addition to the Roc prospect, the Bewdy, Bottler and Phoenix-2 Up-dip structures, which also all lie within the Phoenix 3D area provide early follow up opportunities in the case of success in the Roc-1 well. These four prospects have a total best estimate of 73 million barrels of recoverable oil (aggregated 2C resource estimate)*.

The well will be funded to US$70 million (gross cost of well) by Quadrant Energy and JX Nippon. The Roc-1 well is in shallower water than Phoenix South-1 and hence will be drilled by a jack-up rig, leading to a lower cost estimate for the well than the recent Phoenix South-1 well.

Further prospectivity for exploration beyond 2015 will be enhanced by the acquisition of the Capreolus MC3D and Bilby MC2D seismic surveys in 2015.

The schedule is to commence drilling the Roc-1 well in the fourth quarter of the 2015 calendar year.

* Refer to Degolyer and MacNaughton report release to the ASX on 7 April 2015.

WA-436-P and WA-438-P permits

(Carnarvon 30%, Finder Exploration 30%, Quadrant Energy 40% and Operator)

The Phoenix 3D area only covers an area of approximately 1,100 km^2 or around 5% of a total permit holding of approximately 22,000 km^2. The result at Phoenix South-1 has proved there is a working petroleum system in this region that has given the Joint Venture confidence to commence further seismic activities to identify additional leads and prospects in the Greater Phoenix Area.

Following success at Phoenix South, the Joint Venture has licenced the Zeester 3D seismic survey that covers the Northern parts of WA-436-P and WA-435-P. The Zeester survey covers an area of 3,854 km^2 and incorporates the very large Bandy lead amongst others. The interpretation of this seismic survey is underway and is expected to add to Carnarvon's lead and prospect inventory.

The Joint Venture has also committed to the Capreolus 3D seismic acquisition and licensing. This survey will result in an additional 5,100 km^2 of 3D seismic coverage in the basin and is expected to reveal a number of new prospects and enable greater delineation of numerous leads that lie to the west of Phoenix South as identified on existing 2D data. This acquisition is on schedule and at year end was around 50% complete.

Additionally, the Bilby MC2D will acquire modern 2D seismic data over most of the remaining acreage holding.

Collectively the new data will provide important new insights regarding the regional geology and its prospectivity. The objective will be to use these data to identify new and refine currently identified prospects and leads for possible future drilling.

Resources – Phoenix 3D Area

A summary of the attached DeGolyer and MacNaughton reports released to the ASX on 7 April 2015.

Table 1: Gross Contingent Resource estimate for Phoenix and Phoenix South

Field	Reservoir Interval	Contingent Resources (MM bbls)		
		1C	2C	3C
Phoenix South	Lower Keraudren	6	19	56
Phoenix	Lower Keraudren	3	9	28
Total Contingent *(i)*		**13**	**31**	**78**

(i) Statistical aggregate of contingent resources

Table 2: Gross Prospective Resource estimates only within the Phoenix 3D area (unrisked)

Field	Reservoir Interval	Prospective Resources (MM bbls)			Probability of Geological Success
		Low	**Best**	**High**	
Roc	Lower Keraudren	12	42	133	42%
Bewdy	Lower Keraudren	3	9	26	42%
Bottler	Lower Keraudren	2	7	20	42%
Phoenix 2 Updip	Lower Keraudren	1	4	14	27%
Phoenix West	Lower Keraudren		Not yet determined		
Total Phoenix 3D Prospects *(ii)*		**35**	**73**	**154**	

(ii) Statistical aggregate of prospective resources

Table 3: Aggregated Contingent and Prospective estimates

Classification	Reference	Resources (MM bbls)		
		Low	**Best**	**High**
Contingent	Table 1	13	31	78
Prospective	Table 2	35	73	154
Total (arithmetic Sum)		**48**	**104**	**232**

Cerberus Project

EP-475, EP-490, EP-491 and TP/27 permits (Carnarvon 100%)

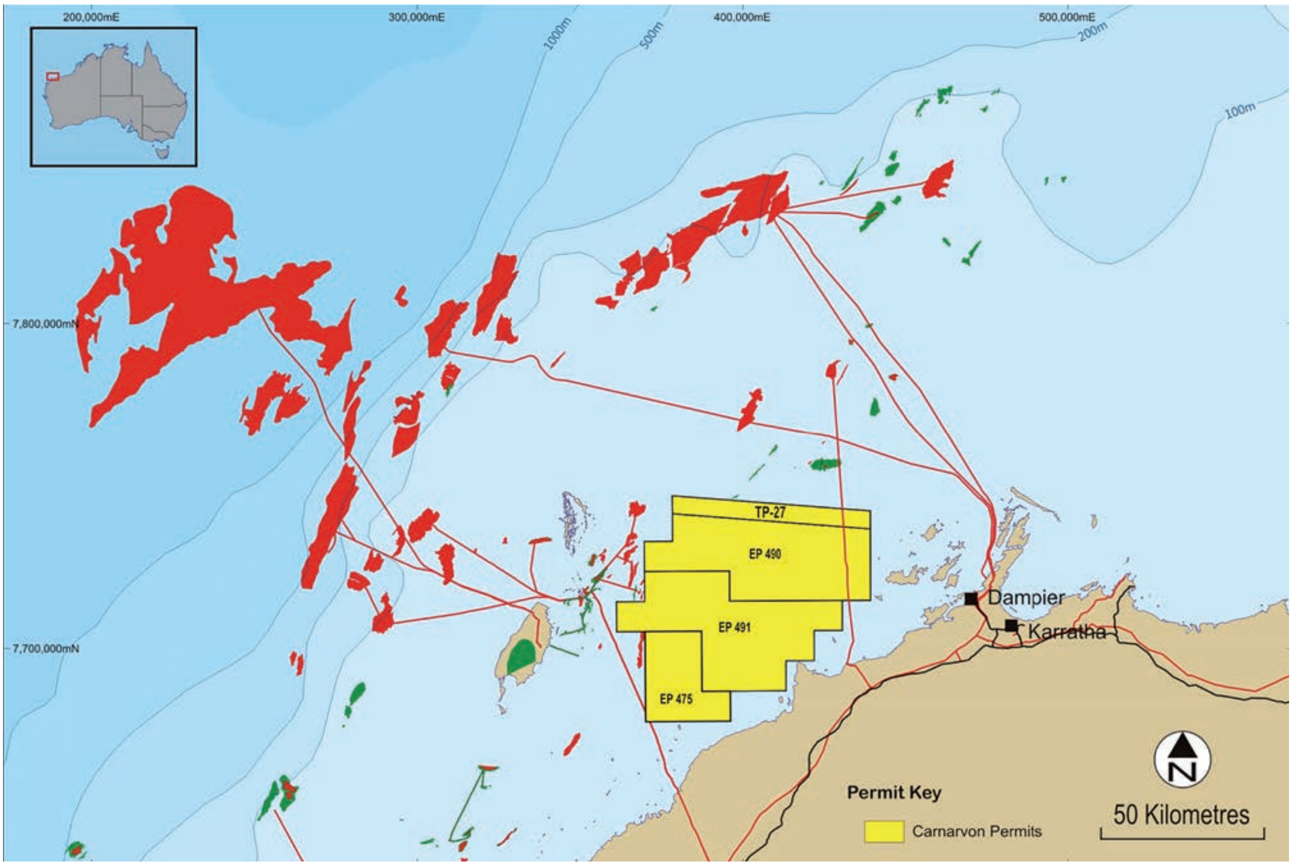


Figure 2: Location map of the 100% owned Permits in the Carnarvon Basin

In late May 2014, Carnarvon was awarded three contiguous blocks on the eastern flank of the prolific oil producing Barrow Sub basin – Petroleum Exploration Permits EP-490, TP/27 and EP-491– now known within Carnarvon as the Cerberus Project ("Cerberus").

Carnarvon was awarded these blocks as part of the government's gazettal process. The blocks were attractive because of their proximity to a known oil producing province, and importantly, they were acquired with minimal cost commitments in the primary term with drilling not required until the fourth year of the work program, being a discretionary commitment.

Subsequently, Carnarvon entered into an agreement to acquire the EP-475-P exploration block at a nominal cost. EP-475-P is a shallow water block contiguous to and south of Carnarvon's Cerberus permits, and is an extension of the play types being developed in those blocks.

Carnarvon is Operator and 100% working interest holder in these blocks that cover a total area of around 3,500 km^2.

Two major hydrocarbon accumulations occur immediately adjacent to the blocks. The Wandoo Oilfield is located approximately 46 kilometres to the north with its primary reservoir at a depth of approximately 600 metres in the Early Cretaceous M.australis Sandstone. Original recoverable oil is estimated to be approximately 100 million barrels. The Stag Oilfield is located only 24 kilometres to the north with its primary reservoir at a depth of approximately 700 metres. Original recoverable oil is estimated to be around 50 million barrels. Both fields lie in approximately 50 metres of water.

The discovery of oil at Phoenix South-1 (as described in the section above in WA-435-P), in an area thought to be gas prone and undrilled for over a quarter of a century, demonstrates the ability to find hydrocarbons in underexplored areas and underexplored play types within the North West Shelf of Western Australia.

The particular discovery of oil in the deeper and older Lower Keraudren reservoir highlights the ability for other similar sparsely explored blocks, such as Carnarvon's Cerebrus blocks to unlock the potential oil and gas reservoirs long overlooked by others in the industry.

As part of the work program across these permits, Carnarvon has re-interpreted modern reprocessed 3D seismic data and has identified a number of new material oil prospects. These prospects are associated with Lower Triassic source rocks that have been identified in nearby wells through recently completed geochemistry, petrophysics and biostratigraphy studies. The Triassic source rocks are analogous to proven oil-prone source rocks at Phoenix and the Perth Basin. These Triassic sourced targets are in addition to the more traditional oil plays across the area, which are primarily sourced from the Jurassic and Cretaceous aged sediments like the Stag, Wandoo and Harriet oil fields nearby.

In particular the Belfon (Upper Permian) and Honeybadger (Early Triassic) prospects are estimated to contain significant volumes of recoverable oil. Detailed analysis is ongoing to refine these prospect volume estimates and further updates are planned to provide shareholders with this information in due course. Five Jurassic prospects exist (1,000-1,500 metre target depths) with a further set of Cretaceous shallow (circa 500 metres target depth) oil prospects which could be large in the context of North West Shelf oil prospects and are the focus of the current stage of geoscience studies.

The investment case in this area is particularly attractive because of the combination of very sizable targets and low exploration costs. The shallow water depths (approximately 50m) and shallow oil target depths (500m - 3,000m) means drilling and development costs are expected to be low relative to normal expectations in the North West Shelf. Multiple development options are available due to shallow depths, proximity to shore and existing production infrastructure.

The Company is looking to progress its exploration plans with a partner with the intention of drilling one or more prospects while retaining a significant equity interest in the project.

Work commitments for the primary three year period entail reprocessing the existing 3D seismic, geological studies and will not add any significant cost exposure to Carnarvon's already low future commitments which have largely been satisfied to date.

"The Triassic source rocks are analogous to proven oil-prone source rocks at Phoenix and the Perth Basin.

Thailand Operations

Wichian Buri Project

During 2014, the decision was made to rationalize the Company's portfolio and divest or relinquish the remaining international assets.

Prior to the sale of the Thailand producing assets, the oil production rate had increased and averaged around 4,140 bopd (gross) during the first quarter of FY 2014. Three wells were drilled and two wells were completed at the beginning of this quarter, making it the last activity for Carnarvon in Thailand.

Carnarvon divested its remaining 20% interest in the Thailand oil production concessions to the Berlanga Group with an effective date of 1 October 2014 and the settlement occurring in February 2015.

SW1, L33/43 and L44/43 Concession – 1 July 2014 to 30 September 2014

(Carnarvon 20%, Loyz Energy 20% and Towngas 60% and Operator)

Carnarvon had an active interest of 20% in the Thailand oil production concessions prior to the sale to Berlanga Group effective 1 October 2014.

These Concessions are situated onshore Thailand, within the Phetchabun Basin. The Concessions cover the central, oil prone section of the basin, with around 100 km^2 under long term production licenses and an additional 1,000 km^2 area reserved for exploration.

Carnarvon had been a co-Concessionaire in these Concessions since 2000; however oil has been flowing from the area since 1995. Oil has been discovered in multiple oil bearing reservoirs in two distinct reservoir types: clastic (sandstone) and fractured igneous (volcanic).

The strategy to flow fractured igneous wells at rates significantly below capacity, in order to reduce the early onset of water incursion via coning, has been successful to date with the WBEXT-3C and WBEXT-3D wells outperforming similar wells in the vicinity.

Three wells were drilled prior to the effective date.

WBEXT-3E

The WBEXT-3E well was a successful appraisal well that intersected an igneous reservoir in the same fault block as the WBEXT-3C and WBEXT-3D wells. The well was placed on test and free flowed clean oil at an initial rate of 600 to 700 bopd.

WBEXT-3ST1

The WBEXT-3ST1 well was drilled in a smaller fault block immediately to the west of the WBEXT-3C/3D/3E fault block. Although the well had good oil shows, upon completion the well flowed sub-commercial rates at only 5-10 bopd. Analysis suggests the well was drilled into an area of poor reservoir development.

WBEXT-10B

WBEXT-10B is a directional appraisal well in the same fault block as WBEXT-3C/3D/3E. The well was drilled downdip of the original crestal production wells in order to test the extent of the oil column in this reservoir. The well was completed as a producer with oil shows on logs supported by observations of high gas readings. The well initially tested at rates up to 450 bopd (gross).

SW1, L33/43 and L44/43 Concession – 1 October 2014 onwards

(Carnarvon 0%)

As of the effective date of the sale of the producing assets to Berlanga of 1 October 2015, Carnarvon no longer has any obligations with regard to ongoing operating or capital expenditures applicable to these Thailand field operations. However, the Company still maintains an interest in the Thailand assets via the Loyz deferred consideration. These receipts, being future receivables of up to US$32 million, formed part of the total consideration paid by Loyz Energy Ltd for the asset sale on 31 March 2014.

The timing of receipts is based on the level of production from the Thailand field and the oil price and will continue until Carnarvon receives a total of US$32 million, or we reach the 20th anniversary of the transaction.

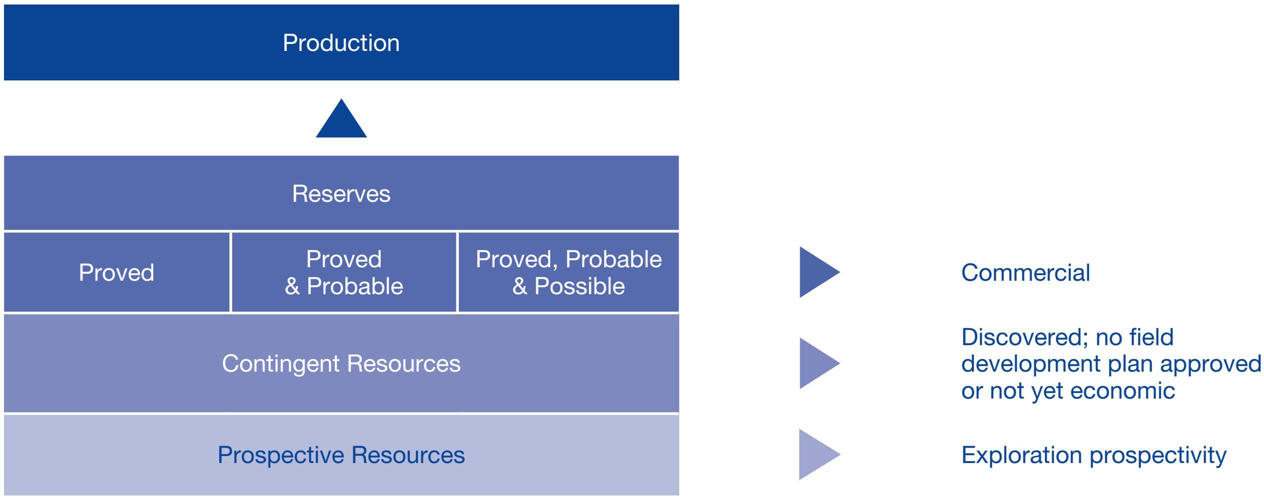
In terms of how the payment arrangements work, each year Loyz Energy owes Carnarvon a payment determined as 12% of their share of revenue from the Thailand field in that year. As an example, if production averages 5,000 barrels of oil per day (gross) and the average oil price is US$50/barrel then the purchaser's 20% interest in revenue in that year is US$18 million. From this amount they would owe Carnarvon 12% or US$2 million. If the oil price is US$100 / barrel then they would owe Carnarvon US$4 million. The first payment to Carnarvon is due in November 2015 based on revenue from the June 2015 quarter. Changes in production and oil price affect the timing of the receipts to Carnarvon, not the final amount received.

The operator of the Concessions had indicated a plan to maintain production levels of around 5,000 to 5,500 bopd (gross) for the final three quarter of FY2014/15. The production levels were to be maintained with a drilling campaign of around 10 wells for the financial year.

RESERVE ASSESSMENT

Petroleum Resource Classification, Categorisation and Definitions

Carnarvon calculates reserves and resources according to the SPE/WPC/AAPG/SPEE Petroleum Resource Management System ("SPE-PRMS") definition of petroleum resources. This definition was first published in 1997 by the SPE, and in an effort to standardise reserves reporting, has been further clarified by the SPE-PRMS in 2007. Carnarvon reports reserves in line with ASX Listing Rules.



[1] Society of Petroleum Engineers ("SPE"); World Petroleum Council ("WPC"); American Association of Petroleum Geologist ("AAPG") & Society of Petroleum Evaluation Engineers ("SPEE")

Reserves

Reserves are defined as those quantities of hydrocarbons which are anticipated to be commercially recovered from known accumulations from a given date forward. Reserves estimates are necessary to determine appropriate development strategies and for accounting purposes.

Carnarvon's reserves previously were wholly contained within the Thailand assets. With the divestment of Carnarvon's 20% equity interest in the L33/43, L44/43 and SW1 Concessions, the following revisions apply:

	Proved Developed Producing	Proved Undeveloped	Total Proved	Probable Developed Producing	Probable Undeveloped	Total Probable	Total Proved plus Probable	Total Possible	Total Proved plus Probable plus Possible
	(million barrels)	(million barrels)	million barrels)	(million barrels)	(million barrels)	(million barrels)	(million barrels)	(million barrels)	(million barrels)
Reserves as at 30 June 2014									
SW1	0.14	0.13	0.27	0.07	0.41	0.48	0.74	0.73	1.47
L33	0.01	0.05	0.06	0	0.1	0.1	0.16	1.36	1.52
L44	0.1	1.06	1.16	0.09	3.66	3.75	4.91	8.49	13.4
Reserves as at 30 June 2014	0.25	1.24	1.48	0.16	4.17	4.33	5.81	10.58	16.39
Production 30 June 2014 to 30 September 2014									
SW1	0.00								
L33	0.00								
L44	-0.08								
Corporate Adjustment - Sale of 50% of Thailand Assets									
SW1	-0.14	-0.13	-0.27	-0.07	-0.41	-0.48	-0.74	-0.73	-1.47
L33	-0.01	-0.05	-0.06	0.00	-0.10	-0.10	-0.16	-1.36	-1.52
L44	-0.02	-0.98	-1.08	-0.01	-3.58	-3.67	-4.83	-8.41	-13.32
Reserves as at 30 June 2015									
SW1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
L33	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
L44	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reserves as at 30 June 2015	-	-	-	-	-	-	-	-	-

Information on the Reserves in this report are based on an independent appraisal of the oil reserves conducted by Chapmans Petroleum Engineering Ltd (Chapmans) covering the Concessions as at 31st December 2013 and fairly represents the information and supporting documentation reviewed. The appraisal was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the Supervision of Mr C Chapman, President of Chapmans, a leading petroleum advisory firm. Mr Chapman has a Bachelor of Science degree, is a member of the Australasian Institute of Mining and Metallurgy and has more than 25 years relevant experience. Mr Chapman meets the requirements of a qualified petroleum reserve and resource evaluator in accordance with ASX Listing Rules and consents to the inclusion of this information in this report.

Operating and Financial Review

The Reserve estimates outlined in this report have been compiled by the Company's Chief Operating Officer, Mr Philip Huizenga, who is a full-time employee of the Company. Mr Huizenga is qualified in accordance with ASX Listing Rule 5.11 and has consented to the form and context in which this statement appears.

Contingent Resources

Contingent resources describe hydrocarbon volumes that have been discovered but are not yet economic or do not yet have an approved field development plan, and hence cannot be booked as reserves.

Based on the results of drilling and testing to date, the following net to Carnarvon contingent resource estimates are provided.

Gross Contingent Resource estimate for Phoenix and Phoenix South

Field	Reservoir Interval	Contingent Resources (MM bbls)		
		1C	2C	3C
Phoenix South	Lower Keraudren	6	19	56
Phoenix	Lower Keraudren	3	9	28
Total Contingent *(i)*		**13**	**31**	**78**

(i) Statistical aggregate of contingent resources

Prospective Resource Estimates

Prospective resources describe hydrocarbon volumes that may be produced in the event that they are discovered by an exploration well. Carnarvon has a significant and increasing leads and prospects portfolio.

Gross Prospective Resource estimates only within the Phoenix 3D area (unrisked)

Field	Reservoir Interval	Prospective Resources (MM bbls)			Probability of Geological Success
		Low	Best	High	
Roc	Lower Keraudren	12	42	133	42%
Bewdy	Lower Keraudren	3	9	26	42%
Bottler	Lower Keraudren	2	7	20	42%
Phoenix 2 Updip	Lower Keraudren	1	4	14	27%
Phoenix West	Lower Keraudren	Not yet determined			
Total Phoenix 3D Prospects *(ii)*		**35**	**73**	**154**	

(ii) Statistical aggregate of prospective resources

Further to these calculated prospective resource assessments, Carnarvon's permits in the Phoenix and Cerberus projects contain a significant number of leads and prospects which are currently undergoing evaluation in order to mature to a level whereby estimates of recoverable resources may be calculated. The Company will update the prospective and contingent resource tables as projects are matured.

The estimates of contingent and prospective resources included in this report have been prepared in accordance with the definitions and guidelines set forth in the SPE-PRMS.

DeGolyer and MacNaughton is an independent international energy advisory group whose expertise is in petroleum reservoir evaluation and economic analysis. The resource report is based on information compiled by professional staff members who are full time employees of DeGolyer and MacNaughton. Carnarvon is not aware of any new information or data that materially affects the information included in this report and that all material assumptions and technical parameters underpinning the estimates in this report continue to apply and have not materially changed.

The Resource estimates outlined in this report were reviewed by the Company's Chief Operating Officer, Mr Philip Huizenga, who is a full-time employee of the Company. Mr Huizenga has over 20 years' experience in petroleum exploration and engineering. Mr Huizenga holds a Bachelor Degree in Engineering and a Masters Degree in Petroleum Engineering. Mr Huizenga is qualified in accordance with ASX Listing Rules and has consented to the form and context in which this statement appears.

There are numerous uncertainties inherent in estimating reserves and resources, and in projecting future production, development expenditures, operating expenses and cash flows. Oil and gas reserve engineering and resource assessment must be recognised as a subjective process of estimating subsurface accumulations of oil and gas that cannot be measured in an exact way.

Financial Review

The Group reports an after-tax profit of $25,206,000 for the financial year ending 30 June 2015.

	2015	2014	Change
Production (bbls)	78,932	237,311	▼ 67%
Sales ($'000)	7,455	23,193	▼ 68%
Cost of sales	2,820	13,142	▼ 79%

Carnarvon's financial resources are strong with cash and cash equivalents of $97,302,000 (2014: $49,580,000), no debt and minimal commitments going forward.

On 18 February 2015, Carnarvon completed the sale of its 20% interest in its oil producing Concessions in Thailand on the effective sale date of 1 October 2014. The consideration received of US$52,000,000 in cash resulted in a profit after tax from discontinued operations in Thailand of $11,092,000.

As a result of the sale, Carnarvon experienced lower production and sales, which reflects the Company's interest in production up to 1 October 2014 and a slightly lower realised oil prices during the 3 month period compared to the previous financial year.

Carnarvon still holds a A$22,708,000 Deferred Consideration Asset which reflects the present discounted value of the US$32,000,000 deferred consideration from the first divestment of the Thailand assets to Loyz Energy in March 2014. The first payment of A$916,000 due in December 2015, corresponds to 12% of Loyz's share of revenue for the months April 2015 to June 2015.

Carnarvon spent $3,740,000 in new venture and advisory costs as the Company continues its investment in pursuing further opportunities in the North West Shelf region of Australia. In addition, the Company invested $15,052,000 into the Pheonix Permits in the North West Shelf of Australia following the Phoenix South-1 oil discovery. These costs primarily included the purchase of seismic and geoscience activities to further expand on the significant discovery of oil.

The Company wrote off capitalised exploration expenditure during the 2015 financial year of $2,310,000 consisting of exploration expenses incurred in the EP-490, EP-491, EP-475 and TP/27 Permits in Western Australia.

During the financial year there was an unrealized gain on foreign exchange of $11,781,000 (2014: loss ($1,501,000)) due to the effect of a depreciation of AUD against the Company's USD cash and financial assets.

The Group does not currently use derivative financial instruments to hedge financial risk exposures and therefore it is exposed to daily movements in the international oil prices, exchange rates, and interest rates. The Company manages its cash positions in US Dollars and Australian Dollars to naturally hedge its foreign exchange rate exposures.

> The Company continues its investment in pursuing further opportunities in the North West Shelf region of Australia.

Permit Interests

Permit	Basin	Equity	Joint Venture Partner(s)	Partner Interest	Indicative Forward Program
Australia					
EP-490	Carnarvon	100%	-	-	G & G Studies
EP-491	Carnarvon	100%	-	-	G & G Studies
EP-475	Carnarvon	100%	-	-	G & G Studies
TP/27	Carnarvon	100%	-	-	G & G Studies
WA-435-P	Roebuck	20%	 Apache[i] Finder Exploration JX Nippon	40% 20% 20%	G & G Studies, Appraisal
WA-436-P	Roebuck	30%	 Apache[i] Finder Exploration	40% 30%	G & G Studies
WA-437-P	Roebuck	20%	Apache[i] Finder Exploration JX Nippon	40% 20% 20%	G & G Studies, Exploration well
WA-438-P	Roebuck	30%	 Apache[i] Finder Exploration	40% 30%	G & G Studies
EP321	Perth	2.50% of 38.25%[ii]	-	-	Appraisal
EP407	Perth	2.50% of 42.5%[ii]	-	-	Appraisal

Note:
(i) Denotes operator where Carnarvon is non-operator partner
(ii) Carnarvon has an overriding royalty interest in these assets

Statutory Information

The directors present their report together with the financial report of the Group, being the Company, its controlled entities, and the Group's interest in jointly controlled assets, for the financial year ended 30 June 2015, and the auditor's report thereon.

Carnarvon Petroleum Limited is a listed public company incorporated and domiciled in Australia.

Directors

The names and details of the Company's directors in office at any time during or since the end of the financial year are as follows. Directors were in office for this entire period unless otherwise stated.

Peter J Leonhardt
Chairman

FCA, FAICD (Life)
Appointed as a director on 17 March 2005 and appointed Chairman in April 2005.

Mr Leonhardt is an independent company director and adviser with extensive business, financial and corporate experience. He is a Chartered Accountant, former Senior Partner of PricewaterhouseCoopers and National Board member and Managing Partner of Coopers & Lybrand in Western Australia.

During the past three years Mr Leonhardt has served as a director of CTI Logistics Limited (from August 1999). He was previously a foundation Chairman of Voyager Energy Limited until its agreed acquisition by ARC Energy Limited. Mr Leonhardt is also a director of the Cancer Research Trust and retired as a director of The Harry Perkins Institute of Medical Research in April 2015 following 17 years service

Mr Leonhardt is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

Adrian C Cook
Chief Executive Officer and Managing Director

B Bus, CA, MAppFin, GAICD
Appointed as a director on 1 July 2011

Mr Cook has over 25 years experience in commercial and financial management, primarily in the petroleum industry. Immediately prior to joining Carnarvon, he was the Managing Director of Buru Energy Limited, an ASX listed oil and gas exploration and production company with interests in the Canning Basin in Western Australia. Mr Cook has also held senior executive positions within Clough Limited's oil and gas construction business and was on the executive committee at ARC Energy Limited, an ASX listed mid cap oil and gas exploration and production company.

During the past three years Mr Cook has not served as a Director of any other listed company. Mr Cook joined Carnarvon on 2 November 2009 and was appointed to the Board on 1 July 2011.

Directors' Report

Edward (Ted) P Jacobson
Non-Executive Director

B.Sc (Hons Geology)
Appointed as a director on 5 December 2005.

Mr Jacobson is a petroleum geophysicist with over 40 years' experience in petroleum exploration principally in the European North Sea, South East Asia, South America and Australia. Within Australia he has been responsible for initiating a number of petroleum discoveries within the Cooper Basin, Barrow Sub Basin and Timor Sea. In 1986, Mr Jacobson established the consulting company Exploration Study Projects Pty Ltd which advised companies on new venture opportunities in Australia and South East Asia and assisted in capital raisings and corporate activity. In 1991 Mr Jacobson was co-founder of Discovery Petroleum NL and from 1996 co-founder and technical director of Tap Oil Ltd which grew to a market capitalisation of over $400 million under his technical leadership. Mr Jacobson retired from Tap in September 2005.

During the past three years Mr Jacobson has not served as director of any other listed company.

Mr Jacobson was a member of the Audit and Risk Committee and the Remuneration and Nomination Committee during the financial year.

William (Bill) A Foster
Non-Executive Director

BE (Chemical)
Appointed as a director on 17 August 2010.

Mr Foster is an engineer with extensive technical, commercial and managerial experience in the energy industry over a 40 year period. He has been an advisor to a major Japanese trading company for the last 20 years in the development of their global E&P and LNG activities and has spent time prior to this working internationally in the development of a number of energy companies. Mr Foster has significant M&A experience and has assisted companies in their commercial activities including financing and marketing.

During the past three years Mr Foster served as a director of Hawkley Oil & Gas Limited and was a former independent director of Tap Oil Ltd and of the E&P companies that were formed through his advisory services to the Japanese trading company.

Mr Foster is Chairman of the Remuneration and Nomination Committee and the Audit and Risk Committee.

Peter Moore
Non-Executive Director

B.Sc (Hons Geology), MBA, PhD, GAICD.
Appointed as a director on 18 June 2015.

Peter has extensive experience in exploration and production in Australia and internationally gained through senior roles with a number of globally recognised companies. Peter led Woodside's worldwide exploration efforts as the Executive Vice President Exploration reporting to the CEO and was the Head of the Geoscience function (Exploration, Development, Production, M&A).

During the past three years Dr Moore served as a director of Central Petroleum Ltd, as the chair of the Curtin Graduate School of Business Advisory Board and a member of Elservier's Geofacets Oil and Gas Advisory Board.

Dr Moore is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

Company Secretary

Mr Thomson Naude was appointed Company Secretary in November 2013. Mr Naude is a qualified Chartered Accountant, a member of Chartered Secretaries Australia and the Chief Financial Officer at Carnarvon Petroleum.

Directors' meetings

The number of directors' meetings held and attended by each of the directors during the reporting period was as follows:

	(a)	(b)
Peter Leonhardt	9	9
Ted Jacobson	9	9
Bill Foster	9	8
Adrian Cook	9	9
Peter Moore	*	*

(a) Number of meetings held during period of office
(b) Number of meetings attended
* Peter Moore commenced his role as a non-executive director on 18 June 2015.

Audit and Risk Committee

Names and qualifications of Audit and Risk Committee members

The Committee is to include at least 3 members from 1 July 2009. Current members of the committee are Bill Foster (Chairman of the Audit and Risk Committee), Peter Leonhardt and Peter Moore who joined the Committee on 18 June 2015. Mr Jacobson retired from the Audit and Risk Committee on 18 June 2015. Qualifications of Audit and Risk Committee members are provided in the Directors section of this directors' report.

Audit and Risk Committee meetings

The number of Audit and Risk Committee meetings held and attended by the members during the reporting period was as follows:

	(a)	(b)
Peter Leonhardt	2	2
Bill Foster	2	2
Ted Jacobson	2	2
Peter Moore	*	*

(a) Number of meetings held during period of office
(b) Number of meetings attended
* Peter Moore commenced his role as a non-executive director on 18 June 2015.

Remuneration Report (Audited)
Remuneration & Nomination Committee

The Committee is to include at least 3 members. Members of the committee during the 30 June 2015 financial year were Bill Foster (Chairman of the Remuneration & Nomination Committee), Peter Leonhardt, Ted Jacobson and Peter Moore who joined the Committee on 18 June 2015. Mr Jacobson retired from the Remuneration and Nomination Committee on 18 June 2015. Qualifications of Remuneration & Nomination Committee members are provided in the Directors section of this directors' report.

Remuneration Committee meetings

The number of Remuneration & Nominations Committee meetings and the number attended by each of the members during the reporting period were as follows:

	(a)	(b)
Bill Foster	2	2
Peter Leonhardt	2	2
Ted Jacobson	2	2
Peter Moore	*	*

(a) Number of meetings held during period of office
(b) Number of meetings attended
* Peter Moore commenced his role as a non-executive director on 18 June 2015.

The Remuneration & Nomination Committee is responsible for the compensation arrangements for directors and executives of the Company. The Remuneration & Nomination Committee considers compensation packages and policies applicable to the executive directors, senior executives and non-executive directors' fees. In certain circumstances these include incentive arrangements including employee share plans, incentive performance packages, and retirement and termination entitlements.

Principles of compensation

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

The Remuneration & Nomination Committee assesses the appropriateness of the nature and amount of compensation on an annual basis by reference to industry and market conditions, and with regard to individual performance and the Company's financial and operational results. Such assessments are also made after referring to the recommendations of specialist consultancy firms, industry groups, government and shareholder bodies. The Board obtains, when required, independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally.

The Remuneration & Nomination Committee ultimately determines its compensation practices in terms of their effectiveness to:

- Provide a strategic and value based reward for employees and executives who make a contribution to the success of the Company;
- Align executives and employees interests with the interests of shareholders;
- Promote the retention of executives and employees; and
- Promote the long term success of the Company;

Remuneration Report (Audited) (continued)

Remuneration arrangements are made having regard to the number and composition of staff in the business and the stage of development of the Company. Remuneration arrangements include a mix of fixed and performance based remuneration. Performance based remuneration comprises short term and long term incentive schemes. Short term incentive arrangements are designed to incentivise superior individual achievement over a period of twelve months and typically comprise cash payments or share issues, as the Remuneration Committee considers appropriate. Long term incentive arrangements are share-based and designed to be simple, clear and strongly aligned between shareholder and executive interests over the medium to longer term.

Remuneration structures take into account the overall level of compensation for each director and executive, the capability and experience of the directors and senior executives, the executives' ability to control the financial performance of the relative business segment, the Group's performance (including earnings and share price), and the amount of any incentives within each executives' remuneration.

On 1 August 2008 the Board adopted a policy that prohibits those that are issued share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases.

In considering the Group's performance and impact on shareholder wealth, the Board has had regard to the following in respect of the current financial year and the previous four years. No dividends have been paid or declared during this period.

	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Share price as at 30 June each year	$0.175	$0.105	$0.041	$0.075	$0.115
Year on year change in the share price	(49%)	(40%)	(61%)	83%	53%
Consolidated net profit / (loss) from continuing operations ($000)	$2,159	($2,498)	($8,385)	16,787	22,839

Non-executive directors

Total remuneration for all non-executive directors, last voted upon by shareholders at a General Meeting in November 2008, is not to exceed $300,000 per annum.

A non-executive director's base fee is $75,000 per annum, the Chairman of the board receives $115,000 per annum, the Chairman of the Audit Committee receives an additional $2,500 and the Chairman of the Remuneration Committee receives an additional $2,500. These fees were last increased with effect from 1 January 2014. Non-executive directors do not receive any performance-related remuneration. The Company does not have any terms or schemes relating to incentives or retirement benefits for non-executive directors.

In 2014, additional consulting fees of $106,356 were paid to a related entity of Ted Jacobson in relation to exploration advisory services during the year. Mr Jacobson provided these exploration advisory services with the objective of handing over his wealth of knowledge in the North West Shelf to the Carnarvon new ventures team. This worthwhile process is now complete and as a result there were no consulting fees for the 30 June 2015 financial year.

Fixed compensation

Fixed compensation consists of base compensation as well as employer contributions to superannuation funds.

Short term incentive scheme

Short term incentives are assessed by the Remuneration & Nomination Committee based on two components:

1. the performance of the business as a whole; and
2. the individual performances of each employee.

Remuneration Report (Audited) (continued)

The value of any short term incentive paid in cash is restricted to a maximum 50% of an individual's Fixed Compensation.

The Remuneration & Nomination Committee is not obliged to make incentive payments where there are material adverse changes in the circumstances of the Company.

Non-executive directors are not entitled to participate in the short term incentive scheme.

All short term incentives awarded during the period are included in remuneration, as set out on page 25, and fully vested to each named Company executives, and key management personnel during the period. Each year, the Board of the Company set a number of strategic and value based targets for its executives and employees. The targets that have been outperformed in the 30 June 2015 financial year were as follows:

- Made an oil discovery in the Phoenix South-1 well;
- Divestment of Thailand asset interest in challenging industry conditions;
- Renegotiating Apache cost cap to cover all drilling and testing activities in WA-437-P, not only limited to drilling of the Roc-1 well;
- Cerberus project technical work completed and promotional activities commenced; and
- North West Shelf regional mapping, data base and software maturity significantly advanced

Long term incentive scheme - Employee Share Plan

The Carnarvon Employee Share Plan ("ESP") was implemented following shareholder approval at the 1997 Annual General Meeting ("AGM") and was last updated and ratified by shareholders at the AGM on 16 November 2012.

The purpose of the ESP is to attract, retain and motivate those who have been invited by the Board to participate in the ESP and align their interests with all other shareholders by encouraging performance that increases shareholder wealth through long term growth.

The Plan is considered to be the most appropriate long term incentive scheme for the size and nature of the Company. The plan only rewards long term share price growth, rather than relative performance. Unlike performance rights, the Plan shares are only of value to the holder of the shares when the share price increases to at least 120% of the share price when the offer is made to the employee. Furthermore, the Plan does not give rise to a tax liability on issue (unlike some options) thus encouraging long term holdings. The Company Employee Share Plan is considered to be an effective way to align the objectives of management with the interests of shareholders.

The principal provisions of the Plan include:

- the Plan is available to all executive Directors, employees or consultants of the Company or any of its subsidiaries ("Eligible Person");
- Non-Executive Directors are not eligible to participate in the Plan;
- the Company may at any time, in its absolute discretion, make an offer to an Eligible Person;
- the number of Plan Shares issued to any Eligible Person and the issue price is to be determined by the directors of the Company;
- The issue price is to be determined by the Board, provided that the issue price is at least 120% of the market price of the Company's Shares, being the weighted average sale price of Shares sold through the ASX on the 5 trading days prior to the proposed date of an offer under the Plan.;
- the offer may be accepted by an Eligible Person or an associate of that Eligible Person, within the given acceptance period;
- the person accepting the offer ("Participant") will be taken to have agreed to borrow from the Company on the terms of the loan agreement referred to below an amount to fund the purchase of the Plan Shares;
- the Plan Shares will rank pari passu with all issued fully paid ordinary shares in respect of voting rights, dividends and entitlement to participate in any bonus or rights issues;
- A Participant may not dispose of any Plan Shares within one year of the Issue Date but, subject to repayment of any associated loan, may dispose of up to 33.3% of Plan Shares after one year, 66.6% after two years, and 100% after three years;

Remuneration Report (Audited) (continued)

- until the loan to the Participant is fully repaid, the Company has control over the disposal of the Plan Shares. Once the loan is repaid in full, the Participant may deal with the Plan Shares as he wishes;
- the aggregate number of Plan Shares and other shares and options issued in the previous 5 years under any other employee incentive scheme of the Company must not exceed 5% of the issued capital of the Company; and
- applications will be made as soon as practicable after the allotment of the Plan Shares for listing for quotation on ASX.
- The principal provisions of the loan agreement include:
- the amount lent will be an advance equal to the issue price of the Plan Shares multiplied by the number of Plan Shares issued;
- the loan can be repaid at any time but the Participant must pay any amount outstanding to the Company within 30 days of termination of the Eligible Person's employment. All dividends declared and paid on the Plan Shares will be applied towards the repayment of the advance and there is no interest on the advance;
- the maximum liability in respect of the loan will be the value of the Plan Shares from time to time; and
- a holding lock will be placed on the Plan Shares until the loan is fully repaid.

Loans made under the ESP involve no cash outlay by the Company.
The ESP shares are treated in principle as options.

A complete copy of the rules of the ESP (which incorporates the terms of the loan agreement) is available for inspection by shareholders (free of charge) at the Company's Registered Office or, upon request, from the Company Secretary.

Plan Shares are approved by the Remuneration & Nomination Committee based upon the assessed performance of each person against their job specifications and the recommendations of the Chief Executive Officer, and in the case of executive Directors, with the approval of shareholders.

The Board of the Company set a number of strategic and value based targets for its executives and employees which are considered when issuing Plan Shares. The targets that have been outperformed in the 30 June 2015 financial year were as follows:

- Made an oil discovery in the Phoenix South-1 well;
- Divestment of Thailand asset interest in challenging industry conditions;
- Renegotiating Apache cost cap to cover all drilling and testing activities in WA-437-P, not only limited to drilling of the Roc-1 well;
- Cerberus project technical work completed and promotional activities commenced; and
- North West Shelf regional mapping, data base and software maturity significantly advanced

The Remuneration & Nomination Committee, having regard to recent changes in the taxation of certain long term incentive schemes and current trends in structuring long term incentive plans, is of the view that the Company's ESP is effectively structured to meet its objectives in attracting, retaining and motivating appropriately qualified and experienced directors and senior executives.

During the current financial year the following Plan Shares were issued to Executive Officers of the Company based on the outperformance on the strategic based targets detailed above:

Executive Officers	Number of shares issued	Issue date	Exercise price per share	Notional Loan
AC Cook*	1,000,000*	13/05/2014*	$0.115*	$115,000*
PP Huizenga	997,421	30/06/2015	$0.15	$149,613

The exercise price for each issue above was calculated based on at least a 20% premium on the 5-day weighted average closing price prior to the date of offer. The purchases were funded by interest-free loans with a limited recourse security over the Plan Shares and subject to the detailed rules of the ESP. The shares remain subject to the disposal restrictions contained in the Plan Rules summarized above.

* Approved by shareholders at the AGM on 14 November 2014.

Remuneration Report (Audited) (continued)

Directors' and executive officers' remuneration (Company and consolidated)

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the named Company and Group executives receiving the highest remuneration are set out on the following page.

In order to determine the cost of Plan Shares issued in a period, the Company uses the Black-Scholes Option Pricing Model, calculated at the date of issue of the Plan Shares, assuming a 3 year life and nil cash consideration. For this purpose, Plan Shares are treated as having vested immediately and the cost calculated under the Black-Scholes Option Pricing Model is recognised as an expense entirely in the current period, notwithstanding restrictions on their disposal and the period over which the benefits arise. The following factors and assumptions were used in determining the fair value of Plan Shares at grant date in the current reporting period:

2015 Grant date	Assumed expiry date	Fair value per option	Exercise price	ASX quoted price of shares at grant date	Expected volatility	Risk free interest rate	Dividend yield
13/05/2014	12/05/2017	$0.109	$0.115	$0.090	89%	2.5%	0%
30/06/2015	29/06/2018	$0.060	$0.15	$0.115	89%	2.0%	0%

Service contracts

The contract duration, period of notice and termination conditions for key management personnel are as follows:

(i) Philip Huizenga, Chief Operating Officer, is engaged as an employee. Termination by the Company is with 3 months' notice or payment in lieu thereof and an additional payment of 3 months' remuneration. Termination by Mr Huizenga is with 3 months' notice.
(ii) Adrian Cook, Chief Executive Officer, is engaged as an employee. Termination by the Company is with 12 months' notice or payment in lieu thereof. Termination by Mr Cook is with 6 months' notice.

Equity instruments

(i) Shares

There were no shares in the Company issued as compensation to key management personnel during the reporting period, other than the Plan Shares issued as described on page 22.

(ii) Options

There were no options over shares in the Company issued as compensation to key management personnel during the reporting period. No options have been issued since the end of the financial year. ESP shares issued as compensation to key management personnel during the year are disclosed on page 25.

There were no shares issued in either 2015 or 2014 on the exercise of options.

There are no amounts unpaid on shares issued as a result of the exercise of options. During the reporting period there was no forfeiture, lapsing or vesting of options issued in previous periods.

At the end of the reporting period, other than Plan Shares (treated in principle as options), there were no unvested options on issue.

Name	Short Term		Post Employment	Share-based payments			
	Salary and fees ($)	Short term cash bonus ($)	Super-annuation contributions ($)	Shares ($)	Total ($)	Proportion of remuneration performance related %	Value of shares as a % of remuneration
Directors							
Non-Executive							
Mr PJ Leonhardt (Chairman)							
2015	$115,000	-	-	-	$115,000	-	-
2014	$110,000	-	-	-	$110,000	-	-
Mr NC Fearis							
2015	-	-	-	-	-	-	-
2014	$31,250	-	-	-	$31,250	-	-
Mr W Foster							
2015	$80,000	-	-	-	$80,000	-	-
2014	$71,250	-	-	-	$71,250	-	-
Mr EP Jacobson							
2015	$75,000	-	-	-	$75,000	-	-
2014	$68,750	-	-	-	$68,750	-	-
Mr P Moore							
2015	$2,679	-	-	-	$2,679	-	-
2014	-	-	-	-	-	-	-
Executive							
Mr AC Cook (Chief Executive Officer)							
2015	$521,635	$83,556	$42,015	$109,384[1,2]	$756,590	25.5%	14.5%
2014	$521,250	$95,594	$25,000	$6,333[1]	$648,177	14.7%	1.0%
Executives							
Mr PP Huizenga (Chief Operating Officer)							
2015	$494,054	$83,556	$41,811	$58,879[1]	$678,300	21.0%	8.7%
2014	$493,933	$96,003	$25,000	$54,584[1]	$669,520	20.7%	8.2%
Total compensation: key management personnel (Company and consolidated)							
2015	$1,288,368	$167,112	$83,826	$168,263[1]	$1,707,569	19.6%	9.9%
2014	$1,296,433	$191,597	$50,000	60,917[1]	$1,598,947	15.1%	3.8%

Directors’ fees are paid or payable to the director or a director-related entity.
[1] Accounting cost as determined using the Black-Scholes Option Pricing Model
[2] 2015 share-based payments to Mr AC Cook relate to 2014 financial year remuneration approved at the AGM on 14 November 2014 and issued 13 May 2015

Directors' Report

Non-audit services

The auditors have not performed any non-audit services over and above their statutory duties during the current reporting period.

Details of the amounts paid or payable to the auditor of the Group for audit services provided during the year are set out below:

Audit Services	Consolidated 2015 ($)
Auditors of the Company:	
Audit and review of financial reports	63,000

Directors' interests

At the date of this report, the relevant interests of the directors in securities of the Company are as follows:

Name	Ordinary Shares	Options over ordinary Shares*
PJ Leonhardt	17,750,000	-
AC Cook	8,000,000	640,000
EP Jacobson	32,188,267	2,890,632
WA Foster	528,205	156,250

Shares issued under the Company's ESP are included under the heading Ordinary Shares. Options over ordinary shares were acquired by Directors through their participation in the Company's entitlement offer to all shareholders.

* Listed options issued to shareholders who subscribed to the Company's Entitlement offer on 20 November 2013.

Share options

Options issued to directors and executives of the Company

There were no options over shares issued as compensation to directors or named executives during or since the end of the financial year.

Diversity

For the year ending 30 June 2015, women made up 28% of the Company's general work force. Currently, there are no women on the board or in senior executive positions.

The Board has set the diversity objective of providing mentoring and support to female employees for the 2016 financial year.

Likely developments

The likely developments for the 2015 financial year are contained in the operating and financial review as set out on pages 4 to 16.The directors are of the opinion that further information as to the likely developments in the operations of the Group would prejudice the interests of the Company and the Group and it has accordingly not been included.

Environmental regulation and performance

The Group's oil and gas exploration and development activities are concentrated in Western Australia. Environmental obligations are regulated under both State and Federal Law in Western Australia. No significant environmental breaches have been notified by any government agency during the year ended 30 June 2015.

Dividends

No dividends were paid during the year and the directors do not recommend payment of a dividend in respect of the current financial year (2014: Nil).

Auditor's independence declaration

The auditor's Independence Declaration under Section 307C of the Corporations Act is set out on page 29 and forms part of the directors' report for the financial year ended 30 June 2015.

Principal activities

During the course of the 2015 financial year the Group's principal activities continued to be directed towards oil and gas exploration, development and production.

Identification of independent directors

The independent directors are identified in the Company's Corporate Governance Statement. The Corporate Governance Statement is available on Carnarvon Petroleum's website at: carnarvon.com.au/about-us/corporate-governance/.

Significant changes in state of affairs

In the opinion of the directors no significant changes in the state of affairs of the Group occurred during the current financial year other than as outlined in the operating and financial review as set out on pages 4 to 16.

Indemnification and insurance of directors and officers

During the period the Company paid a premium to insure the directors and officers of the Company and its controlled entities. The policy prohibits the disclosure of the nature of the liabilities covered and the amount of the premium paid.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of the proceedings. The Company was not a party to any such proceedings during the year.

Operating and financial review

An operating and financial review of the Group for the financial year ended 30 June 2015 is set out on pages 4 to 16 and forms part of this report.

Indemnity of directors, company secretary and auditors

Deeds of Access and Indemnity have been executed by the Company with each of the directors and Company Secretary. The deeds require the Company to indemnify each director and Company Secretary against any legal proceedings, to the extent permitted by law, made against, suffered, paid or incurred by the directors or Company Secretary pursuant to, or arising from or in any way connected with the director or Company Secretary being an officer of the Company.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify the auditor of the company against a liability incurred by the auditor.

Events subsequent to reporting date

No matters or circumstance has arisen since 30 June 2015 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 off

The Company is an entity to which ASIC Class Order 98/100 dated 10 July 1998 applies. In accordance with that Class Order amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

PJ Leonhardt
Director

Perth, 31 August 2015

Crowe Horwath™

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Carnarvon Petroleum Limited for the year ended 30 June 2015, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Crowe Horwath Perth

CROWE HORWATH PERTH

SEAN MCGURK
Partner

Signed at Perth, 31 August 2015

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Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Carnarvon Petroleum Limited and its Controlled Entities ('the Group') have adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Group's Corporate Governance Statement for the financial year ending 30 June 2015 is dated as at 30 June 2015 and was approved by the Board on 28 August 2015. The Corporate Governance Statement is available on Carnarvon Petroleum's website at carnarvon.com.au/about-us/corporate-governance/.

Consolidated Income Statement

For the year ended 30 June 2015

	Notes	Consolidated 2015 $000	2014 $000
Continued operations			
Other income	4	12,521	1,450
Administrative expenses		(1,258)	(1,365)
Directors' fees		(273)	(281)
Employee benefits expense		(1,608)	(1,552)
Travel related costs		(332)	(204)
Unrealised foreign exchange gain/(loss)		11,781	(1,501)
New venture and advisory costs		(3,740)	(2,203)
Exploration expenditure written off	16	(2,310)	(4,878)
Share-based payments		(464)	(143)
Finance costs		(203)	-
Profit (loss) before income tax from continuing operations		14,114	(10,677)
Taxes			
Current income tax expense	10(a)	-	-
Profit (loss) for the year from continuing operations		14,114	(10,677)
Discontinued operations			
Profit after tax for the year from discontinued operations	5	11,092	27,464
Profit for the year		25,206	16,787
Profit attributable to members of the Company		25,206	16,787
Basic profit per share (cents per share)	9	2.5	1.7
Diluted profit per share (cents per share)	9	2.4	1.7

The above consolidated income statement should be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

	Consolidated	
	2015 $000	2014 $000
Profit (loss) for the year	**25,206**	**16,787**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Deferred consideration asset revaluation	(4,343)	-
Exchange differences arising in translation of foreign operations, net of income tax	8,226	(11,501)
Total comprehensive income for the year	**29,089**	**5,286**
Total comprehensive income attributable to members of the company	**29,089**	**5,286**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	Consolidated 2015 $000	Consolidated 2014 $000
Current assets			
Cash and cash equivalents	23(b)	97,302	49,580
Trade and other receivables	11	1,362	3,937
Inventories	14	-	2,728
Other assets	15	504	428
Total current assets		99,168	56,673
Non-current assets			
Deferred consideration asset	12	22,708	21,480
Property, plant and equipment	13	178	504
Exploration and evaluation expenditure	16	17,352	2,300
Oil and gas assets	17	-	52,008
Total non-current assets		40,238	76,292
Total assets		139,406	132,965
Current liabilities			
Trade and other payables	19	585	4,516
Employee benefits	26	252	244
Exploration provision	16	-	1,203
Current tax liability	10(b)	-	235
Total current liabilities		837	6,198
Non-current liabilities			
Employee benefits	26	141	105
Deferred tax liabilities	21	-	21,902
Total non-current liabilities		141	22,007
Total liabilities		978	28,205
Net assets		138,428	104,760
Equity			
Issued capital	22	90,225	90,213
Reserves	22	(1,922)	(6,268)
Retained earnings		50,125	20,815
Total equity		138,428	104,760

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

	Issued capital $000	Retained earnings $000	Translation reserve $000	Asset Revaluation 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						
Profit for the year	-	16,787	-	-	-	16,787
Other comprehensive income	-	-	(11,501)	-	-	(11,501)
Total comprehensive income for the year	-	16,787	(11,501)	-	-	5,286
Transactions with owners and other transfers						
Reclassification on partial disposal	-	(4,370)	4,370	-	-	-
Share based payments	137	-	-	-	6	143
Proceeds from entitlement issue	2,503	-	-	-	-	2,503
Total transactions with owners and other transfers	2,640	(4,370)	4,370	-	6	2,646
Balance at 30 June 2014	90,213	20,815	(8,226)	-	1,958	104,760
Balance at 1 July 2014	90,213	20,815	(8,226)	-	1,958	104,760
Comprehensive income						
Profit for the year	-	25,206	-	-	-	25,206
Other comprehensive income	-	-	12,330	(4,343)	-	7,987
Total comprehensive income for the year	-	25,206	12,330	(4,343)	-	33,193
Transactions with owners and other transfers						
Reclassification on partial disposal	-	4,104	(4,104)	-	-	-
Share based payments	-	-	-	-	463	463
Proceeds from exercised options	12	-	-	-	-	12
Total transactions with owners and other transfers	12	4,104	(4,104)	-	463	475
Balance at 30 June 2015	90,225	50,125	-	(4,343)	2,421	138,428

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	Notes	Consolidated 2015 $000	Consolidated 2014 $000
Cash flows from operating activities			
Receipts from customers and GST recovered		8,083	23,413
Payments to suppliers and employees		(7,394)	(13,425)
Income tax and special remuneratory benefit paid		(2,776)	(1,249)
Interest received		284	151
Research and development refundable tax offset		-	714
Net cash (used in)/provided by operating activities	23(a)	(1,803)	9,604
Cash flows from investing activities			
Exploration and development expenditure		(19,892)	(13,232)
Cash held as security		(644)	(164)
Acquisition of property, plant and equipment		(18)	(43)
Proceeds from farm-out activities		2,000	-
Outflows from options investment		(203)	-
Net cash used in investing activities		(18,757)	(13,439)
Cash flows from financing activities			
Proceeds from sale of Thai assets		55,553	31,062
Proceeds from exercised options		12	-
Proceeds from entitlement issue		-	2,503
Net cash provided by financing activities		55,565	33,565
Net increase in cash and cash equivalents held		35,005	29,730
Cash and cash equivalents at the beginning of the financial year		49,580	19,525
Effect of exchange rate fluctuations on cash and cash equivalents		12,717	325
Cash and cash equivalents at the end of the financial year	23(b)	97,302	49,580

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

Notes to the Financial Statements

1. Reporting entity

The consolidated financial report of Carnarvon Petroleum Limited ('Company') for the financial year ended 30 June 2015 comprises the Company and its controlled entities (the "Group") and the Group's interest in jointly controlled assets.

The separate financial statements of the parent entity, Carnarvon Petroleum Limited, have not been presented within this financial report as permitted by The *Corporations Act 2001*.

The group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report was authorised for issue by the directors on 31 August 2015.

2. Basis of preparation of the financial report

Statement of compliance

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards ("AASBs"), including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"), and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRSs"). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Adoption of new and revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2014 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be classified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

Basis of measurement

The financial report is prepared on a historical cost basis, except for available-for-sale financial assets which are measured at fair value.

Use of estimates and judgements

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Key estimate – impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to the impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates as detailed in Note 17.

2. Basis of preparation of the financial report (continued)

Key estimate – income and capital gains taxes

Estimates are made in determining any provision for income and capital gains taxes. The Group recognizes liabilities of anticipated tax based on estimates of taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax expenses, assets or provisions in the year in which such determination is made.

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement to determine whether it is likely that future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Company defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.

Key estimate – reserve quantities

Reserves are estimates of the amount of product that can be economically and legally extracted from the consolidated entity's properties. In order to estimate economically recoverable reserves, assumptions are required about a range of geological, technical, legal and economic factors, including quantities, production techniques, reversion rights, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity of reserves requires the size, shape and depth of fields to be determined by analysing geological drilling and production data. This process may require complex and difficult judgements to interpret the data. Because the economic assumptions used to estimate economically recoverable reserves change from period to period, and because additional data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the consolidated entity's financial results and financial position in a number of ways, including the following:

- asset carrying values (note 17) may be affected due to changes in estimated future cash flows;
- depreciation charged in the income statement (note 6) may change as such charges are determined by the units of production basis; and
- the carrying value of deferred tax assets (note 21) may change due to changes in the estimates of the likely recovery of the tax benefits.

Key judgement – functional currency

The determination of the functional currency of the Company's controlled entities requires consideration of a number of factors. These factors include the currencies that primarily influence their sales and costs and the economic environment in which the entities operate.

Key judgements – other

Other areas of judgement are in the determination of oil reserves, rehabilitation provisions, capitalisation of exploration and evaluation costs, determination of areas of interest, and the units of production method of depreciation.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report. The accounting policies have been applied consistently by all entities in the Group. Certain comparative amounts have been reclassified to conform to the current year's presentation.

(a) Basis of consolidation

Controlled entities

The consolidated financial report comprises the financial statements of the Company and its controlled entities. A controlled entity is any entity over which the Company has the power to direct the activities of the entity and is exposed to, or has rights to, variable returns from its involvement. All inter-company balances and transactions between entities in the group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of controlled entities have been changed where necessary to ensure consistency with those applied by the Company.

Where controlled entities enter or leave the group during the year, their operating results are included or excluded from the date control was obtained or until the date control ceased. Investments in controlled entities are carried at cost in the Company's financial statements.

Joint Operations

The Group's shares of the assets, liabilities, revenue and expenses of joint operations have been included in the appropriate line items of the consolidated financial statements. Details of the Group's interests are provided in Note 18.

(b) Income tax and special remuneratory benefit

Income tax (current tax & deferred tax)

The charge for current income tax expense is based on the result for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by balance sheet date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the income statement except where it relates to items recognised directly in equity, in which case it is recognised in equity. Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company / group intends to settle its current tax assets and liabilities on a net basis.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained against which the benefits of the deferred tax assets can be utilized.

3. Significant accounting policies (continued)

Special remuneratory benefit

The Group's Phetchabun Basin Joint Venture is subject to a special remuneratory benefit ("SRB") tax on profits, at sliding scale rates (0% - 75% per concession).

The SRB, which is tax deductible in the calculation of Thai income taxes, involves a detailed calculation done on a concession by concession basis. The basis of the calculation is petroleum profits, adjusted for capital spent, being subjected to a sliding scale SRB rate such that profits are not taxed until all capital has been recovered. The sliding scale rate is principally driven by production and pricing but is subject to other adjustments such as changes in Thailand's consumer price index, wholesale price index, cumulative metres drilled on the concession, and, for certain concessions, changes in the exchange rate between the Thai Baht and the USD. The SRB calculation is performed quarterly for each concession at the calculated annual rate at the end of each quarter.

The SRB is considered, for accounting purposes, to be a tax on income.

Tax consolidation

Carnarvon Petroleum Limited and its wholly-owned Australian-resident controlled entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. Carnarvon Petroleum Limited is the head entity of the tax-consolidated group. In future periods the members of the group will, if required, enter into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(c) Property, plant and equipment

Recognition and measurement

All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of an item also includes the initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located. Such amounts are determined based on current costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Impairment

The carrying amount of property, plant and equipment is reviewed at each balance date to determine whether there are any objective indicators of impairment that may indicate the carrying values may not be recoverable in whole or in part. Impairment testing is carried out in accordance with Note 3(f).

Where an asset does not generate cash flows that are largely independent it is assigned to a cash generating unit and the recoverable amount test applied to the cash generating unit as a whole.

If the carrying value of the asset is determined to be in excess of its recoverable amount, the asset or cash generating unit is written down to its recoverable amount.

3. Significant accounting policies (continued)

Depreciation

Depreciation on property, plant and equipment is calculated on a straight-line basis over expected useful life to the economic entity commencing from the time the asset is held ready for use. The major depreciation rates used for all classes of depreciable assets are:

Property, plant and equipment:	10% to 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least annually.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(d) Oil and gas assets

Oil and gas assets include costs transferred from exploration and evaluation once technical feasibility and commercial viability of an area of interest are demonstrable, together with subsequent costs to develop the asset to the production phase.

Where the directors decide that specific costs will not be recovered from future development, those costs are charged to the income statement during the financial period in which the decision is made.

Amortisation of oil and gas assets is calculated on a unit of production basis so as to write off costs, including an element of future costs, in proportion to the depletion of the estimated recoverable reserves which are expected to be recovered by the expiry of the production licenses.

(e) Exploration and evaluation

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the Group's rights of tenure to the area are current and that the costs are expected to be recouped through the successful development of the area, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Each area of interest is assessed for impairment to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Impairment testing is carried out in accordance with Note 3(f).

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation costs attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation to oil and gas assets.

The Company does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

3. Significant accounting policies (continued)

(f) Recoverable amount of assets and impairment testing

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment by estimating their recoverable amount.

Assets that are subject to depreciation are reviewed annually to determine whether there is any indication of impairment. Where such an indicator exists, a formal assessment of recoverable amount is then made. Where this is less than carrying amount, the asset is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects the current market assessments of the time value of money and the risks specific to the asset. Any resulting impairment loss is recognised immediately in the income statement.

For the purposes of impairment testing assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

(g) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Restoration costs

There are no restoration provisions required in respect of the Group’s activities under current Thai Legislation.

(h) Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost. Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

3. Significant accounting policies (continued)

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.
Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.
They are subsequently measured using the effective interest method which is recognised in profit or loss. A fair value gain or loss of the underlying financial asset shall be recognised in other comprehensive income (except for impairment losses and foreign exchange gains or losses), through the asset revaluation reserve in equity.
When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss. Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iii) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

(i) Segment reporting

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 cash flows is the same basis as that presented to chief operating decision maker.

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.

3. Significant accounting policies (continued)

(j) Foreign currency

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates (the "functional" currency). The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at balance date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Foreign operations

The financial performance and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at balance date
- income and expenses are translated at average exchange rates for the period

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve as a separate component of equity. These differences are recognised in the income statement upon disposal of the foreign operation.

(k) Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

(l) 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

A lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments in relation to operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(m) Share capital

Incremental costs directly attributable to an equity transaction are shown as a deduction from equity, net of any recognised income tax benefit.

3. Significant accounting policies (continued)

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any estimated selling costs.

Cost includes those costs incurred in bringing each component of inventory to its present location and condition.

(o) Employee benefits

Wages and salaries, annual leave

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Share based payments – Employee Share Plan

Share based compensation has been provided to eligible persons via the Carnarvon Employee Share Plan ("ESP"), financed by means of interest-free limited recourse loans. Under AASB 2 "Share-based Payments", the ESP shares are deemed to be equity settled, share-based remuneration.

For limited recourse loans issued to eligible persons on or after 1 January 2005, the Group is required to recognise within the income statement a remuneration expense measured at the fair value of the shares inherent in the issue to the eligible person, with a corresponding increase to a share-based payments reserve in equity. The fair value is measured at grant date and recognised when the eligible person become unconditionally entitled to the shares, effectively on grant. A loan receivable is not recognised.

The fair value at grant date is determined using a pricing model that factors in the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield, and the risk free rate for the assumed term of the plan. Upon repayment of the ESP loans, the balance of the share-based payments reserve relating to the loan repaid is transferred to issued capital.

(p) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares.

Basic EPS is calculated by dividing the profit attributable to equity holders of the Company by the weighted number of shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares, which comprise share options issued.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments.

3. Significant accounting policies (continued)

(r) Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, and the amount of revenue can be measured reliably. For the sale of oil the transfer of risks and rewards occurs on delivery of oil to the refinery.

(s) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (“GST”), except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(t) Finance income and expenses

Interest revenue on funds invested is recognised as it accrues, using the effective interest rate method.

Finance expenses comprise interest expense on borrowings and the unwinding of the discount on provisions.

(u) Royalties

Royalties are treated as taxation arrangements when they have the characteristics of a tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to revenue derived (net of any allowable deductions) after adjustment for items comprising temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation.

Obligations arising from royalty arrangements that do not satisfy these criteria are recognised as current provisions and included in expenses.

(v) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(w) New Accounting Standards for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2015. The consolidated entity’s assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

3. Significant accounting policies (continued)

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied.

Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

	Notes	Consolidated 2015 $000	Consolidated 2014 $000

4. Other income

	Notes	2015 $000	2014 $000
Finance income on bank deposits		276	112
Research and development refundable offset		-	714
Interest on financial assets		2,645	624
Net gain on foreign currency transactions		7,600	-
Gain on farm-out		2,000	-
		12,521	1,450

5. Discontinued operations

On the 4 December 2014, Carnarvon announced that it had entered into a Sale and Purchase Agreement (SPA) to divest its remaining 20% interest in the Thailand oil production Concessions L44/43, L33/43 and SW1A (Thai Assets) on the effective date of 1 October 2014 to Berlanga Group.

The sale was completed on the 18 February 2015, with Carnarvon receiving a consideration of US$52,000,000. The operations from the Thai Assets have been classified as a discontinued operation. The profit after tax from the discontinued operations are presented below:

	2015 $000	2014 $000
Oil sales	7,455	23,193
Other income	8	124
(Loss) on sale of joint operations	(16,715)	(2,387)
Cost of sales		
Production expenses	(557)	(3,787)
Royalty and excise	(417)	(1,297)
Transportation	(196)	(627)
Depreciation - development costs and producing assets	(1,365)	(5,613)
Selling, general and administration	(285)	(1,818)
Profit before tax from a discontinued operations	(12,072)	7,788
Taxes		
Current income tax expense	1,787	1,667
Deferred income tax (benefit) / expense	(24,951)	(21,343)
	(23,164)	(19,676)
Profit after income tax from discontinued operations	11,092	27,464
Basic profit per share on discontinued operations (cents per share)	1.1	2.8
Diluted profit per share on discontinued operations (cents per share)	1.1	2.6
Cash flows from discontinued operations:		
Net cash inflow from operating activities	3,788	14,303
Net cash outflow from investing activities	(1,271)	(9,639)
Net cash inflow from financing activities	55,553	31,062
Net cash inflow from discontinued operations	58,070	35,726

	Notes	Consolidated 2015 $000	Consolidated 2014 $000

6. (Loss) on sale of joint operations

	Notes	2015 $000	2014 $000
Cash consideration		59,599	35,681
Deferred consideration		-	20,856
Less transaction costs		(1,889)	(1,654)
		57,710	54,883
Less asset and liability adjustments:			
Cash and cash equivalents		(2,157)	(2,954)
Trade and other receivables		(4,235)	(2,419)
Inventories		(3,095)	(2,776)
Other assets		(200)	(211)
Property, plant and equipment		(254)	(230)
Oil and gas assets		(66,283)	(50,440)
Trade and other payables		1,441	1,852
Current tax liability		358	(92)
		(16,715)	(2,387)

7. Other expenses

	Notes	2015 $000	2014 $000
Depreciation – property, plant and equipment		(164)	(300)
Rental premises – operating leases		(171)	(175)
Defined contribution – superannuation expense		(230)	(156)

8. Auditors' remuneration

	Notes	2015 $000	2014 $000
Audit and review services:			
Auditors of the Company		(63)	(143)

9. Earnings per share

The calculation of basic and diluted earnings per share was based on a weighted average number of shares calculated as follows:

	2015	2014
	Number of shares	
Issued ordinary shares at 1 July	987,176,977	935,383,501
Effect of shares issued	1,413,739	30,233,337
Weighted average number of ordinary shares 30 June (basic)	988,590,716	965,616,838
Effect of share options on issue	48,427,191	28,180,943
Weighted average number of ordinary shares 30 June (diluted)	1,037,017,907	993,797,781

	2015 $	2014 $
Profit / (loss) used in calculating basic and diluted earnings per share from continuing operations	25,206,000	16,787,000

10. Taxes

	Consolidated 2015 $000	Consolidated 2014 $000
(a) Income tax expense		
Numerical reconciliation between pre-tax profit and income tax expense:		
Prima facie income tax expense on pre-tax profit at 30% (2014: 30%)	613	(222)
Tax effect of:		
Special remuneratory benefit	-	-
Effect of higher overseas tax rate	929	1,965
Effect of foreign exchange	761	(3,733)
Non-deductible expenditure	812	1,967
Prior year temporary differences recognised	65	(275)
Effect of deferred tax on disposal	(29,192)	(21,509)
Current year tax benefit not brought to account	2,848	2,131
Income tax expense on pre tax profit	(23,164)	(19,676)
Current income tax	1,787	1,667
Deferred tax	(24,951)	(21,343)
	(23,164)	(19,676)
(b) Current tax liability		235

Tax Consolidation

Effective 1 July 2003, for the purposes of Australian income taxation, Carnarvon and its 100%-owned Australian controlled entities formed a tax consolidated group. The head entity of the tax consolidated group is Carnarvon.

The impact of consolidating for tax purposes is that Carnarvon's Australian controlled entities are treated as divisions of Carnarvon rather than as separate entities for tax purposes. The members of the group will, if required, enter into a tax sharing arrangement in order to allocate group tax related liabilities to contributing members on a reasonable basis. The agreement will provide for the allocation of income tax liabilities between entities should the head entity default on its tax payment obligations.

Income tax expense has not been accrued on the profits generated by the Thailand joint operation as under Australian tax law, such profits attributable to the branch are taxed in Thailand and are non-assessable in Australia.

11. Trade and other receivables

	2015 $000	2014 $000
Current		
Trade and other receivables	228	3,719
Cash held as security	218	218
Thailand royalty receivable	916	-
	1,362	3,937

The Group's exposure to credit and currency risks is disclosed in Note 34.

12. Deferred consideration asset

	Consolidated	
	2015 $000	2014 $000
Deferred consideration	22,708	21,480

Reconciliation

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

	2015 $000	2014 $000
Opening fair value	21,480	-
Additions	-	20,856
Disposals	-	-
Effective interest	2,645	624
Asset revaluation	(4,343)	-
Royalty repayments	(916)	-
Effects of exchange rate fluctuations	3,842	-
Closing fair value	22,708	21,480

Carnarvon completed the sale of half of its 40% interest in its producing Concessions in Thailand during the 2014 financial year to Loyz Energy. This resulted in US$32,000,000 in deferred consideration based on 12% of the acquirer’s share of revenue in the Concessions.The $22,708,000 AUD deferred consideration asset addition relates to the present value of $32,000,000 USD of deferred consideration receivable to Carnarvon. This is recognised in accordance with AASB 139 as an available-for-sale financial asset.

Refer to note 35 for further information on fair value measurement.

13. Property, plant and equipment

	Consolidated 2015 $000	Consolidated 2014 $000
Plant and equipment		
Cost:		
Balance at beginning of financial year	423	892
Additions	-	38
Disposal of Thai Assets	(452)	(463)
Effects of movements in foreign exchange	29	(44)
Balance at end of financial year	-	423
Depreciation and impairment losses:		
Balance at beginning of financial year	313	415
Disposal of Thai Assets	(328)	(235)
Depreciation charge for year	15	133
Balance at end of financial year	-	313
Carrying amount opening	110	477
Carrying amount closing	-	110
Fixtures and fittings		
Cost:		
Balance at beginning of financial year	1,051	1,122
Additions	18	369
Disposals	(260)	-
Disposal of Thai Assets	(424)	(413)
Effects of movements in foreign exchange	30	(27)
Balance at end of financial year	415	1,051
Depreciation and impairment losses:		
Balance at beginning of financial year	671	899
Disposals	(260)	-
Disposal of Thai Assets	(315)	(431)
Depreciation charge for year	141	203
Balance at end of financial year	237	671
Carrying amount opening	380	223
Carrying amount closing	178	380

13. Property, plant and equipment (continued)

	Consolidated	
	2015	2014
	$000	$000
Land and buildings		
Cost:		
Balance at beginning of financial year	84	159
Additions	6	19
Disposal of Thai Assets	(98)	(88)
Effects of movements in foreign exchange	8	(6)
Balance at end of financial year	-	84
Depreciation:		
Balance at beginning of financial year	63	94
Disposal of Thai Assets	(67)	(59)
Depreciation charge for year	4	28
Balance at end of financial year	-	63
Carrying amount opening	21	65
Carrying amount closing	-	21
Total		
Cost:		
Balance at beginning of financial year	1,608	2,226
Additions	23	425
	(260)	-
Disposal of Thai Assets	(1,023)	(964)
Effects of movements in foreign exchange	67	(79)
Balance at end of financial year	415	1,608
Depreciation and impairment losses:		
Balance at beginning of financial year	1,104	1,461
	(260)	-
Disposal of Thai Assets	(767)	(722)
Depreciation charge for year	160	365
Balance at end of financial year	237	1,104
Carrying amount opening	504	765
Carrying amount closing	178	504

	Consolidated	
	2015	2014
	$000	$000

14. Inventories

Current		
Consumables	-	2,728

15. Other assets

Current		
Deposits and prepayments	504	428

16. Exploration and evaluation expenditure

Cost:		
Balance at beginning of financial year	2,300	3,404
Additions	17,362	3,774
Exploration expenditure written off	(2,310)	(4,878)
Balance at end of financial year	17,352	2,300

The exploration expenditure written off during the financial year ended 30 June 2015 of $2,310,000 was in relation to exploration expenses incurred in the EP490, EP491, EP475 and TP/27 Permits in Western Australia.

17. Oil and gas assets

Cost:		
Balance at beginning of financial year	73,165	144,064
Additions	1,271	9,639
Effect of Sale	(80,384)	(70,364)
Effects of movements in foreign exchange	5,948	(10,174)
Balance at end of financial year	-	73,165
Depreciation and impairment losses:		
Balance at beginning of financial year	21,157	35,690
Depreciation charge for year	1,327	5,391
Effect of Sale	(22,484)	(19,924)
Balance at end of financial year	-	21,157
Carrying amount opening	52,008	108,374
Carrying amount closing	-	52,008

18. Joint operations

The Group has the following interests in joint operation assets:

Joint operation	Principal activities	Ownership interest %	
Thailand		**2015**	**2014**
Phetchabun Basin Concession, Exploration Blocks L44/43 and L33/43 3/2546/60 and 5/2546/62 Concessions	Exploration, development and production of hydrocarbons	0%	20%
Exploration Blocks L52/50 and L53/50 3/2553/105 concession	Exploration for hydrocarbons	0%	100%
Western Australia			
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-399-P, Carnarvon Basin	Exploration for hydrocarbons	0%	13%
WA-443-P, Roebuck Basin	Exploration for hydrocarbons	0%	100%
EP-490, EP-491, TP/27 Barrow sub Basin	Exploration for hydrocarbons	100%	100%
EP475 Barrow sub Basin	Exploration for hydrocarbons	100%	0%

The Company has accounted for its interest in the above Concessions as Joint Operations even though some of the Company's interests do not require the unanimous consent of all of the parties sharing control to make decisions about the relevant activities. These interests are still treated as Joint Operations because the Company's investment in these Concessions gives it rights to its share of the assets, and obligations for its share of the liabilities. Therefore the Company has recognised its interests in the assets, liabilities, revenues and expenses for the above arrangements.

18. Joint operations (continued)

Summary financial information for joint venture assets, as included in the consolidated statement of financial position and income statement, is shown below:

	2015 $000	2014 $000
Current assets		
Cash and cash equivalents	-	5,880
Trade and other receivables	-	3,535
Inventories	-	2,728
Other assets	-	174
Total current assets	-	12,317
Non-current assets		
Property, plant and equipment	-	218
Exploration and evaluation	17,352	691
Oil and gas assets	-	52,008
Total non-current assets	17,352	52,917
Total assets	17,352	65,234
Current liabilities		
Trade and other payables	-	2,884
Current tax	-	235
Provisions	-	1,203
Total current liabilities	-	4,322
Non-current liabilities		
Deferred tax	-	21,902
Total non-current liabilities	-	21,902
Total liabilities	-	26,225
Net assets	17,352	39,009
Income	7,463	23,318
Expenses	(4,596)	(15,159)
Deferred tax reversal	24,951	21,343
Net profit after tax	27,818	29,502

Capital commitments and contingent liabilities for the joint ventures are disclosed in Notes 24 and 25 respectively.

On the 4 December 2014, Carnarvon announced that it had entered into a Sale and Purchase Agreement (SPA) to divest its remaining 20% interest in the Thailand oil production Concessions L44/43, L33/43 and SW1A (Thai Assets) on the effective date of 1 October 2015 to Berlanga Group. The assets and liabilities from the Thailand joint operations have been sold and have been classified as a discontinued operation.

19. Trade and other payables

	Consolidated 2015 $000	Consolidated 2014 $000
Current		
Trade payables	521	1,574
Non-trade payables and accrued expenses	64	2,942
	585	4,516

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 34

20. Provisions

Provision for restoration costs

There are no restoration provisions required in respect of the Group's activities under current Thai and Australian Legislation.

21. Deferred tax liabilities

Recognised deferred tax assets and liabilities

The net deferred tax liability is attributable to the following:

	2015 $000	2014 $000
Oil and gas assets	-	22,292
Tax value of losses carry forward - Thailand	-	(390)
Net deferred tax liability	-	21,902

The movement in the deferred tax liability during the reporting period has all been recognised in the income statement.

Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of the following items:

	2015 $000	2014 $000
Australian tax losses	9,951	7,103

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits. As explained in note 10(a), income tax is not payable in Australia on the profits generated by the Thailand joint operation as under Australian tax law, such profits attributable to the branch are taxed in Thailand and are non-assessable in Australia.

22. Capital and reserves

	Company 2015	Company 2014
	Number of shares	
Issued capital		
Balance at beginning of financial year	987,176,977	935,383,501
Issued for cash	126,855	48,519,077
Employee Share Plan issues	6,762,190	4,159,399
Employee Share Plan cancellations	-	(885,000)
Balance at end of financial year	994,066,022	987,176,977

	Company 2015	Company 2014
	$000	$000
Issued capital		
Balance at beginning of financial year	90,213	87,573
Transfer from share based payment reserve*	-	137
Net proceeds from capital raising activities	-	2,503
Proceeds from exercised options	12	-
Balance at end of financial year	90,225	90,213

* This represents the fair value of Employee Share Plan shares transferred from the share based payment reserve to issued capital upon cancellation.

Ordinary shares have the right to one vote per share at meetings of the Company, to receive dividends as declared and, in the event of a winding-up of 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.

Translation reserve

Movements in the translation reserve are set out in the Statement of Changes in Equity on page 34.

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Share based payments reserve

Movements in the share based payments reserve are set out in the Statements of Changes in Equity on page 34.

This reserve represents the fair value of shares issued under the Company's ESP. This reserve is reversed against issued capital when shares are issued on exercise of options issued under the previous employee option plan and the loan is repaid or cancelled under the current ESP.

23. Reconciliation of cash flows from operating activities

	Consolidated	
	2015	2014
	$000	$000
(a) Cash flows from operating activities		
Profit for the year	25,206	16,787
Adjustments for:		
Equity settled share based payment expense	464	143
Deferred tax expense	(21,908)	(21,343)
Depreciation	1,586	5,068
Foreign exchange gains	481	325
Exploration expenditure written off	2,310	4,878
Operating profit before changes in working capital and provisions:	8,139	5,858
Changes in assets and liabilities:		
(Increase) / decrease in trade and other receivables	(6,956)	(828)
(Increase) / decrease in inventories	(144)	957
(Increase) / decrease in other assets	(262)	(401)
Increase / (decrease) in trade and other payables	(2,766)	3,416
Increase / (decrease) in provisions and employee benefits	186	602
Net cash flows generated from operating activities	(1,803)	9,604

(b) Reconciliation of cash and cash equivalents

Cash at bank and at call	12,390	17,798
Cash on deposit	84,912	31,782
	97,302	49,580

The Group’s exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in Note 34.

Restricted cash of $218,000 consolidated is included under trade and other receivables (2014:$ 862,227 consolidated), see Notes 11 and 25.

24. Capital and other commitments

	Consolidated	
	2015	2014
	$000	$000
(a) Joint operation commitments		
Share of capital commitments of joint operation assets:		
Within one year	-	232
Capital commitments of the Group to joint operation assets:		
Within one year	-	309

(b) Exploration expenditure commitments

Due to the nature of the Group's operations in exploring and evaluating areas of interest it is necessary to incur expenditure in order to retain the Group's present permit interests. Expenditure commitments on exploration permits can be reduced by selective relinquishment of exploration tenure, by the renegotiation of expenditure commitments, or by farming out portions of the Group's equity. Failure to meet Joint Operation cash requirements may result in a reduction in equity in that particular Joint Operation.

Exploration expenditure commitments forecast but not provided for in the financial statements are as follows:

	Consolidated	
	2015 $000	2014 $000
Less than one year	400	1,205
Between one and five years	-	1,200
	400	2,405

(c) Capital expenditure commitments

Data licence commitments	415	257

25. Contingencies

The directors are of the opinion that provisions are not required in respect of these matters as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities considered remote

(a) The restricted cash held by banks as rental and credit card guarantees total $218,000 (2014: $862,227) are classified under "trade and other receivables".

(b) In accordance with normal petroleum industry practice, the Group has entered into joint operations and farmin agreements with other parties for the purpose of exploring and developing its petroleum permit interests. If a party to a joint operation defaults and does not contribute its share of joint operation obligations, then the other joint operators 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 operators.

26. Employee benefits

	Consolidated 2015 $000	Consolidated 2014 $000
Current:		
Liability for annual leave	252	244
Non-Current:		
Provision for long service leave	141	105
Total Employee benefits	393	349

Share based payments - Employee Share Plan

Under the terms of the Carnarvon Employee Share Plan ("ESP"), as approved by shareholders, the Company may, in its absolute discretion, make an offer of ordinary fully paid shares in the Company to any Eligible Person, to be funded by a limited recourse interest free loan granted by the Company.

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 date of offer. Eligible Persons use the above-mentioned loan to acquire plan shares.

The movements in the ESP during the financial year, including those held by Key Management Personnel, were as follows:

	1 July 2014	Issued	Cancelled	30 June 2015
Number of shares	24,639,399	6,762,190	-	31,401,589
Loan	4,207,956	100,316	-	5,208,272
Average loan per share	$0.17	$0.15	-	0.17

	1 July 2013	Issued	Cancelled	30 June 2014
Number of shares	21,365,000	4,159,399	885,000	24,639,399
Loan	4,173,894	359,396	325,334	4,207,956
Average loan per share	$0.19	$0.09	$0.37	$0.17

26. Employee benefits (continued)

Shares issued under the ESP are accounted for in accordance with the AASB 2.

The fair value of shares issued under the ESP is measured by reference to their fair value using the Black-Scholes model, as set out below.

Fair value of share options and related assumptions	Key management personnel 2015	Key management personnel 2014	Other employees 2015	Other employees 2014
Fair value at measurement date (cents)	8.4	3.7	6.2	3.0
Share price at date of issue (cents)	0.15	8.4	0.12	6.6
Exercise price (cents)	0.13	9.1	0.15	7.3
Expected volatility	89%	70%	89%	70%
Actual / assumed option life	3 years	3 years	3 years	3 years
Expected dividends	Nil	Nil	Nils	Nil
Risk-free interest rate	2.0%	2.5%	2.0%	2.5%
Share-based expense recognised	$168,263	$60,918	$294,837	$82,207

The current year volatility is intended to reflect the movement of the Company's share price during the financial year.

Further details of shares and options issued to directors are set out in Note 30, and in the Remuneration Report set out on pages 20 to 25.

27. Related party disclosures

Ultimate parent

Carnarvon Petroleum Limited is the ultimate parent company.

Wholly-owned group transactions

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

The carrying value of loans to controlled entities at 30 June 2015 was $629,000 (2014: $8,377,000). These loans are unsecured, non-interest bearing, and have no fixed terms of repayment.

Other related party balances and transactions

At 30 June 2015 an amount of $43,765 (2014: $84,175) is included in Company and consolidated trade and other payables for outstanding director fees and expenses.

No consulting fees were paid Ted Jacobson or any related entities in relation to exploration advisory services during the year (2014:$106,356).

28. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	2015 $000	2014 $000
Less than one year	181	227
Between one and five years	587	875
	768	1,102

During the reporting period $168,000 was recognised as an expense in the consolidated income statement in respect of operating leases (2014: $305,000).

The property lease is a non-cancellable lease with the five-year term, with rent payable in advance. Contingent rental provisions within the lease agreement require that minimum lease payment shall be increased by 4% per annum.

29. 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 cash flows 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:

	2015 $000	2014 $000
Thailand	7,463	23,317
Australia	-	-
	7,463	23,317

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

29. Segment information (continued)

Assets by geographical region

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

	2015 $000	2014 $000
Thailand	229	65,246
Australia	139,177	67,719
	139,406	132,965

30. Key management personnel disclosures

(a) Key management personnel compensation

Key management personnel compensation included in employee benefits expense, directors emoluments, share based payments and administration expenses are as follows:

	Consolidated	
	2015 $000	2014 $000
Short term employee benefits	1,455	1,488
Post-employment benefits	84	50
Share-based payments	168	61
	1,707	1,599

Information regarding individual directors and executives' compensation and some equity instruments disclosures, as permitted by Corporations Regulation 2M.3.03, are provided in the Remuneration Report section of the directors' report as set out on pages 20 to 25.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

30. Key management personnel disclosures (continued)

(b) Loans to key management personnel and their related parties

Details of loans to key management personnel and their related parties, which are all interest free loans with limited recourse security over the plan shares provided in accordance with the Company's Employee Share Plan ("ESP"), are set out below.

2015	Balance 1 July 2014 ($)	Balance 30 June 2015 ($)	Highest balance in period ($)	Loaned in period ($)	Repaid in period ($)
Directors					
PJ Leonhardt*	270,000	270,000	270,000	-	-
EP Jacobson*	540,000	540,000	540,000	-	-
Executives					
PP Huizenga	1,164,850	1,314,463	1,314,463	149,613	-
AC Cook	1,543,550	1,658,550	1,658,550	115,000	-

2014	Balance 1 July 2013 ($)	Balance 30 June 2014 ($)	Highest balance in period ($)	Loaned in period ($)	Repaid in period ($)
Directors					
PJ Leonhardt*	270,000	270,000	270,000	-	-
EP Jacobson*	540,000	540,000	540,000	-	-
Executives					
PP Huizenga	1,021,300	1,164,850	1,164,850	143,550	-
AC Cook	1,528,800	1,543,550	1,543,550	14,750	-

* The loans to directors were made in 2006 in lieu of normal remuneration at a time the Company had no full time employees and limited cash resources.

Details regarding the aggregate of loans, all of which are interest-free, made by the Group to key management personnel and their related parties, and the number of individuals in each group, are as follows:

	Opening balance ($)	Closing balance ($)	Number in group at 30 June
2015	2,708,400	2,973,013	2
2014	2,550,100	2,708,400	2

30. Key management personnel disclosures (continued)

(c) Other key management personnel transactions

Amounts payable to key management personnel or their related parties at reporting date in respect of outstanding director and consulting fees and expenses are as follows:

	Consolidated	
	2015 $000	2014 $000
Current		
Trade and other payables	44	80

(d) Movements in shares

The movement during the reporting period in the number of ordinary shares in Carnarvon Petroleum Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2015	Held at 1 July 2014	Net acquired/ (sold)	Award under Employee Share Plan	Received on exercise of options	Held at 30 June 2015
Directors					
PJ Leonhardt	17,750,000	-	-	-	17,750,000
EP Jacobson	34,188,267	-	-	-	34,188,267
W Foster	528,205	-	-	-	528,205
AC Cook	6,890,000	110,000	1,000,000	-	8,000,000
P Moore	-	-	-	-	-
Executives					
PP Huizenga	6,400,000	-	997,421	-	7,397,421

2014	Held at 1 July 2013	Net acquired/ (sold)	Award under Employee Share Plan	Received on exercise of options	Held at 30 June 2014
Directors					
PJ Leonhardt	17,750,000	-	-	-	17,750,000
EP Jacobson	31,297,635	2,890,632	-	-	34,188,267
W Foster	121,955	406,250	-	-	528,205
AC Cook	5,900,000	740,000	250,000	-	6,890,000
Executives					
PP Huizenga	4,750,000	250,000	1,400,000	-	6,400,000

Shares allotted under the ESP were funded by interest-free loans with a limited recourse security over the plan shares and subject to the detailed rules of the ESP.

In accordance with AASB 2 the issue of shares under the ESP is accounted for using the Black-Scholes Option Pricing Model, and their valuation assumptions are set out in Note 26.

Information regarding individual directors' and executives' compensation, including company loans used to finance the purchase of the ESP shares, is provided in the Remuneration Report section of the directors' report as set out on pages 20 to 25.

31. Non-key management personnel disclosures

Identity of related parties

The Group has a related party relationship with its controlled entities (see Note 32), joint operation assets (see Note 18), and with its key management personnel (see Note 30).

32. Consolidated entities

		Ownership interest	
Name	**Country of Incorporation**	**2015**	**2014**
Company			
Carnarvon Petroleum Ltd			
Controlled entities			
Carnarvon Thailand Ltd	British Virgin Islands	100%	100%
Lassoc Pty Ltd	Australia	100%	100%
SRL Exploration Pty Ltd	Australia	100%	100%
Carnarvon Petroleum (Indonesia) Pty Ltd	Australia	100%	100%
Carnarvon (NZ) Ltd	New Zealand	-	100%
Carnarvon Khian Sa Pte Ltd	Singapore	-	100%

Investments in controlled entities are measured at cost in the financial statements of the Company.

33. Subsequent events

No other matters or circumstance has arisen since 30 June 2015 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

34. Financial risk management

The Group's activities expose it to market risk (including currency risk, commodity price risk and interest rate risk), credit risk and liquidity risk. This note presents qualitative and quantitative information about the Group's exposure to each of the above risks, their objectives, policies and procedures for managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the financial performance of the Group. The Group does not currently use derivative financial instruments to hedge financial risk exposures and therefore it is exposed to daily movements in the international oil prices, exchange rates, and interest rates.

34. Financial risk management (continued)

The Group uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange, and commodity price risk and ageing analysis for credit risk.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Given the stage of the Group's development there are no formal targets set for return on capital. There were no changes to the Group's approach to capital management during the year. Neither the Company nor any of its controlled entities are subject to externally imposed capital requirements.

(a) Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Group's commodity output, being crude oil.

Revenues under the Group's contractual arrangements with its customer were denominated in US$, linked to the US$ prices of a basket of oil products, and paid in Thai Baht at the average monthly exchange rate. As of 1 October 2014, the Group no longer earns any revenue from the sale of oil, however the Group holds a deferred consideration asset which is directly linked to the aforementioned contractual arrangements as it is based on the oil sales from the same oil assets, which the Company divested from during the financial year. Therefore the Group is still indirectly affected by the risks associated with the commodity price movements. The Group does not currently use derivative financial instruments to hedge commodity price risk and therefore is exposed to daily movements in the prices of these oil products.

Sensitivity analysis

An increase of 10% in the achieved monthly oil sale price would have increased equity and pre tax profit and loss by the amounts shown below. This analysis assumes that all other variables other than royalties, which are directly related to oil revenues, remain constant. The analysis is performed on the same basis for 2014:

	Consolidated	
	Equity $000	Profit and loss $000
30 June 2015	861	861
30 June 2014	2,198	2,198

A decrease of 10% in the achieved monthly oil sale price would have decreased equity and pre tax profit and loss by the amounts shown below. This analysis assumes that all other variables other than royalties, which are directly related to oil revenues, remain constant. The analysis is performed on the same basis for 2014:

	Consolidated	
	Equity $000	Profit and loss $000
30 June 2015	(1,094)	(1,094)
30 June 2014	(2,198)	(2,198)

34. Financial risk management (continued)

(b) Interest rate risk

The significance and management of the risks to the Group is dependent on a number of factors including:

- Interest rates (current and forward) and the currencies that are held;
- Level of cash and liquid investments and their term;
- Maturity dates of investments;
- Proportion of investments that are fixed rate or floating rate.

The Group manages the risk by maintaining an appropriate mix between fixed and floating rate investments.

At the reporting date, the effective interest rates of variable rate interest bearing financial instruments of the Group were as follows. There were no interest-bearing financial liabilities.

	Consolidated	
	2015	**2014**
Carrying amount (A$000)		
Financial assets – cash and cash equivalents	97,302	49,580
Weighted average interest rate (%)		
Financial assets – cash and cash equivalents	0.37%	0.63%

Sensitivity analysis

All other financial assets are non interest bearing.

An increase in 50 basis points from the weighted average year-end interest rates at 30 June would have increased equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014:

	Consolidated	
	Equity $000	**Profit and loss $000**
30 June 2015	170	170
30 June 2014	199	199

A decrease in 50 basis points from the weighted average year-end interest rates at 30 June would have decreased equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014:

	Consolidated	
	Equity $000	**Profit and loss $000**
30 June 2015	(272)	(272)
30 June 2014	(274)	(274)

34. Financial risk management (continued)

(c) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Group, and arises principally from the Group's receivables from customers and cash deposits.

The Group's trade receivables at both June 2015 and June 2014 are all due from an entity located in Thailand and controlled by its government. This entity has an appropriate credit history with the Group. There were no receivables at 30 June 2015 or 30 June 2014 that were past due.

Cash transactions are limited to financial institutions considered to have a suitable credit rating.

Credit risk further arises in relation to financial guarantees given to certain parties, refer to Note 25.

Exposure to credit risk is considered minimal but is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated	
	2015	2014
	$000	$000
Carrying amount:		
Cash and cash equivalents	97,302	49,580
Trade and other receivables	1,362	3,937
	98,664	53,517

The aging of the Group's trade receivables at reporting date was:

	Gross	Impairment	Gross	Impairment
	2015	2015	2014	2014
	$000	$000	$000	$000
Not past due	916	-	2,812	-
	916	-	2,812	-

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables.

34. Financial risk management (continued)

(d) Currency risk

Currency risk arises from sales, purchases, assets and liabilities that are denominated in a currency other than the functional currencies of the entities within the Group, being the A$, THB and US$.

The Group previously operated predominantly in Thailand and was exposed to currency risk arising from various foreign currency exposures, mainly with respect to the US$ and Thai Baht ("THB").

Cash receipts from the Thai operations, which comprise 100% of the Group revenues, were received in Thai Baht. The majority of the Group's payments, including Thai SRB and income tax, were also payable in THB which effectively creates a natural hedge. The Company's foreign exchange risk predominantly resides in its US$ cash, cash equivalents and deferred consideration asset.

The Group does not currently use derivative financial instruments to hedge foreign currency risk and therefore is exposed to daily movements in exchange rates. However, the Group intends to maintain sufficient USD cash balances to meet its USD obligations.

The Group's exposure to foreign currency risk at balance date was as follows, based on carrying amounts.

	THB A$000	USD A$000
Consolidated 2015		
Cash and cash equivalents	-	92,141
Trade and other receivables	228	916
Trade payables and accruals	-	-
SRB and income tax provisions	-	-
Gross balance sheet exposure	228	93,057
Consolidated 2014		
Cash and cash equivalents	5,878	40,686
Trade and other receivables	3,549	185
Trade payables and accruals	(2,838)	(86)
SRB and income tax provisions	(235)	-
Gross balance sheet exposure	6,354	40,785

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD to:	2015	2014	2015	2014
1 Thai baht	0.037	0.034	0.039	0.033
1 USD	1.201	1.089	1.306	1.059

34. Financial risk management (continued)

(d) Currency risk (continued)

Sensitivity analysis

A 10% strengthening of the AUD against the THB for the 12 months to 30 June 2015 and 30 June 2014 would have decreased equity and pre tax profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates and the exchange rate between the Thai Baht and USD, remain constant:

	Consolidated	
	Equity $000	Profit and loss $000
30 June 2015		
THB	(21)	(21)
30 June 2014		
THB	(6,932)	(773)

A 10% weakening of the AUD against the THB for the 12 months to 30 June 2015 and 30 June 2014 would have increased equity and pre tax profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates and the exchange rate between the Thai Baht and USD, remain constant:

	Consolidated	
	Equity $000	Profit and loss $000
30 June 2015		
THB	25	25
30 June 2014		
THB	11,827	2,364

A 10% strengthening of the AUD against the USD for the 12 months to 30 June 2015 and 30 June 2014 would have decreased equity and pre tax profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant:

	Consolidated	
	Equity $000	Profit and loss $000
30 June 2015		
THB	(10,336)	(10,336)
30 June 2014		
THB	(6,932)	(773)

34. Financial risk management (continued)

A 10% weakening of the AUD against the USD for the 12 months to 30 June 2015 and 30 June 2014 would have increased equity and pre tax profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant:

	Consolidated	
	Equity $000	Profit and loss $000
30 June 2015		
THB	12,633	12,633
30 June 2014		
THB	11,827	2,364

(f) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under a range of financial conditions. The groups significant balance of cash and cash equivalents are considered to be adequately address this risk.

The Group currently does not have any available lines of credit.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of any netting agreements:

	Carrying amount $000	Contractual cashflows $000	6 months or less $000	6 to 12 months $000
Consolidated 2015				
Non-derivative financial liabilities				
Trade and other payables	585	585	585	-
SRB and income tax provisions	-	-	-	-
	585	585	585	-
Consolidated 2014				
Non-derivative financial liabilities				
Trade and other payables	4,516	4,516	4,516	-
SRB and income tax provisions	235	235	235	-
	4,751	4,751	4,751	-

35. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Deferred consideration available-for-sale	-	-	22,708	22,708
Total assets	-	-	22,708	22,708

Consolidated - 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Deferred consideration available-for-sale	-	-	21,480	21,480
Total assets	-	-	21,480	21,480

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Deferred consideration available-for-sale has been valued using a discounted cash flow model applied to the following:

- Production volumes - Estimate production volumes are based on the production profiles of proven and probable reserves for the fields and take into account development plans for the fields agreed by management as part of the long-term planning process, which have been independently verified;
- Crude oil price – forecast crude oil prices are based on independent data;
- Discount rate – A discount rate of 14%;
- Foreign exchange rate – An AUD/USD foreign exchange rate of 0.7655.

35. Fair value measurement (continued)

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Available-for-sale $'000	Total $'000
Balance at 30 June 2014	21,480	21,480
Gains/(losses) recognised in other comprehensive income	-	-
Additions	-	-
Disposals	-	-
Effective interest	2,644	2,644
Royalty repayments	(916)	(916)
Asset revaluation	(4,343)	(4,343)
Unrealised foreign exchange gain	3,843	3,843
Balance at 30 June 2015	22,708	22,708

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Weighted average	Sensitivity
Available-for sale	Discount rate	14%	1.00% change would increase fair value by $958,000 / decrease fair value by $900,000
Available-for sale	Net 2P production	27,858 MSTB	1.00% change would increase/decrease fair value by $100,000
Available-for sale	Oil price	$46STB - $66STB	1.00% change would increase/decrease fair value by $100,000 5.00% change would increase fair value by $446,000 / decrease fair value by $508,000.
Available-for sale	Foreign exchange rate	0.7655	1.00% change would increase fair value by 206,000 /decrease fair value by $202,000 5.00% change would increase fair value by 1,071,000 /decrease fair value by $969,000

36. Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards:

	2015 $000	2014 $000
Statement of financial position		
Current Assets	98,939	44,356
Non-current assets	40,197	37,208
Total assets	139,136	81,564
Current liabilities	780	1,842
Non-current liabilities	141	105
Total liabilities	921	1,947
Equity		
Issued Capital	90,225	90,213
Accumulated losses	47,545	(12,554)
Reserves	2,421	1,958
Total equity	138,215	79,617
Statement of comprehensive income		
Total Profit / (loss)	61,388	49,602
Total comprehensive income	59,412	49,602

Parent Contingencies

In accordance with normal petroleum industry practice, the Group has entered into joint arrangements and farmin agreements with other parties for the purpose of exploring and developing its petroleum permit interests. If a party to a joint operation defaults and does not contribute its share of joint operation's obligations, then the other joint operators may be 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 operators.

36. Parent Information (continued)

	Parent 2015 $000	Parent 2014 $000
Parent capital and other commitments		
(a) Joint operation commitments		
Capital commitments of the Group to joint venture assets:		
Within one year	-	309
(b) Exploration expenditure commitments		

Due to the nature of the Company's operations in exploring and evaluating areas of interest it is necessary to incur expenditure in order to retain the Company's present permit interests. Expenditure commitments on exploration permits can be reduced by selective relinquishment of exploration tenure, by the renegotiation of expenditure commitments, or by farming out portions of the Company's equity. Failure to meet Joint Operation cash requirements may result in a reduction in equity in that particular Joint Operation.

Exploration expenditure commitments forecast but not provided for in the financial statements are as follows:

	2015 $000	2014 $000
Less than one year	400	1,205
Between one and five years	-	1,200
	400	2,405
(c) Capital expenditure commitments		
Data licence commitments	415	257

Non-cancellable operating lease rentals are payable as follows:

	2015 $000	2014 $000
Less than one year	181	174
Between one and five years	587	768
	768	942

(1) In the opinion of the directors of Carnarvon Petroleum Limited:

(a) the financial statements and notes of the Group set out on pages 31 to 76 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial statements comply with International Financial Reporting Standards as set out in Note 2; and

(c) the remuneration disclosures that are contained in the Remuneration Report in the Directors Report comply with the Corporations Act 2001 and the Corporations Regulations 2001; and

(d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2015.

Signed in accordance with a resolution of the directors.

PJ Leonhardt
Director

Perth, 31 August 2015

Crowe Horwath™

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

Report on the Financial Report

We have audited the accompanying financial report of Carnarvon Petroleum Limited and its controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated income statement, consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Carnarvon Petroleum Limited is in accordance with the Corporations Act 2001, including:
    (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
    (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report
We have audited the Remuneration Report included in pages 20 to 25 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion
In our opinion, the Remuneration Report of Carnarvon Petroleum Limited for the year ended 30 June 2015 complies with section 300A of the Corporations Act 2001.

Crowe Horwath Perth

CROWE HORWATH PERTH

SEAN MCGURK
Partner

Signed at Perth, 31 August 2015

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Additional Shareholder Information

Additional information required by the ASX Limited ("ASX") Listing Rules and not disclosed elsewhere in this report is set out below.

a) Shareholdings as at 28 August 2015

Substantial shareholders

There are no substantial shareholder notices lodged with the Company.

Voting Rights

The voting rights attaching to Ordinary Shares are governed by the Constitution. On a show of hands every person present who is a member or representative of a member shall have one vote and on a poll, every member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. No options have any voting rights.

Twenty Largest Shareholders

Name of Shareholder	Number of Shares	% held
J P Morgan Nominees Australia Limited	32,657,315	3.29
HSBC Custody Nominees (Australia) Limited	31,188,877	3.14
Citicorp Nominees Pty Limited	18,675,749	1.88
Log Creek Pty Ltd	12,881,702	1.30
Jacobson Geophysical Services Pty Ltd	11,674,068	1.17
Mr Edward Patrick Jacobson	11,315,982	1.14
Pendomer Investments Pty Ltd	9,500,000	0.96
Pan Pacific Petroleum NL	9,065,909	0.91
Elgar Park Pty Ltd	8,449,950	0.85
Arne Investment Pty Ltd	8,052,592	0.81
Mr Peter James Leonhardt	7,700,000	0.77
Mr Craig Carter	7,000,000	0.70
Mr Philip Paul Huizenga	6,797,421	0.68
47 Eton Pty Ltd	6,300,000	0.63
National Nominees Limited	6,171,096	0.62
Mr Edward Patrick Jacobson	6,000,000	0.60
Geolyn Pty Ltd	6,000,000	0.60
Arne Investment Pty Ltd	5,513,851	0.55
Arne Investment Pty Ltd	4,790,288	0.48
Woss Group Film Productions Pty Ltd	4,750,000	0.48
	214,484,800	**21.58**

Distribution of equity security holders

Size of Holding			Number of shareholders	Number of fully paid shares
1	to	1,000	525	233,351
1,001	to	5,000	1,969	6,302,096
5,001	to	10,000	1,664	14,115,045
10,001	to	100,000	4,756	191,499,167
100,001	and over		1,430	781,916,363
			10,344	994,066,022

b) Option holdings as at 28 August 2015

	Number on issue	Number of holders
Options over ordinary shares issued	48,392,222	810

c) On-market buyback

There is no current on-market buyback.

d) Schedule of permits

Permit	Basin/Country	Joint Venture Partners	Equity %	Operator
WA-435-P, WA-437-P	Roebuck / Australia	Carnarvon	20%	
		Quadrant Energy Finder Exploration JX Nippon	40% 20% 20%	Quadrant Energy
WA-436-P, WA-438-P	Roebuck / Australia	Carnarvon	30%	
		Quadrant Energy Finder Exploration	40% 30%	Quadrant Energy
EP-490, EP-491, EP-475, TP/27	Barrow / Australia	Carnarvon	100%	Carnarvon
EP321	Perth / Australia	Carnarvon	2.5% of 38.25%	Latent Petroleum
EP407	Perth / Australia	Carnarvon	2.5% of 42.5%	Latent Petroleum

b) Option holdings as at 28 August 2015

	Number on issue	Number of holders
Options over ordinary shares issued	48,392,222	810

c) On-market buyback

There is no current on-market buyback.

d) Schedule of permits

Permit	Basin/Country	Joint Venture Partners	Equity %	Operator
WA-435-P, WA-437-P	Roebuck / Australia	Carnarvon	20%	
		Quadrant Energy Finder Exploration JX Nippon	40% 20% 20%	Quadrant Energy
WA-436-P, WA-438-P	Roebuck / Australia	Carnarvon	30%	
		Quadrant Energy Finder Exploration	40% 30%	Quadrant Energy
EP-490, EP-491, EP-475, TP/27	Barrow / Australia	Carnarvon	100%	Carnarvon
EP321	Perth / Australia	Carnarvon	2.5% of 38.25%	Latent Petroleum
EP407	Perth / Australia	Carnarvon	2.5% of 42.5%	Latent Petroleum

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