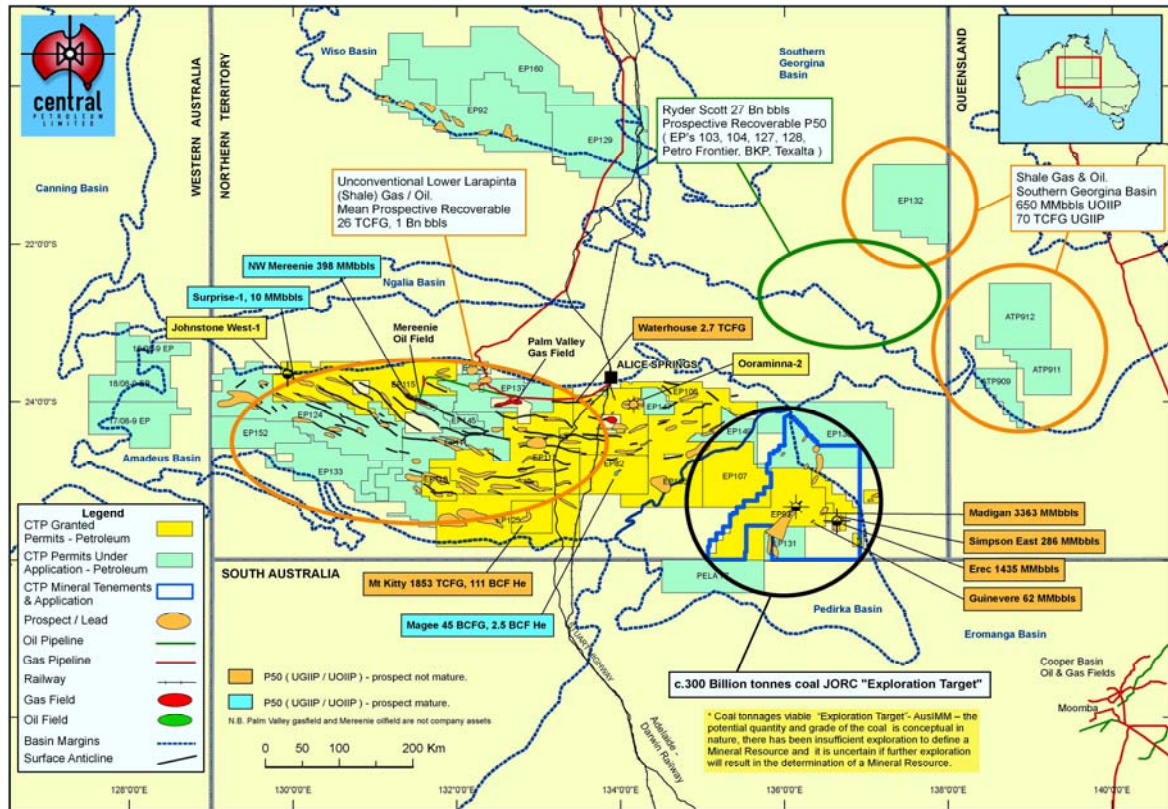


# Central Petroleum Limited

ABN 72 083 254 308

## Interim Report

For the half-year ended 31 December 2010



Petroleum and Mineral Licence Interests of Central Petroleum Limited

**Central Petroleum Limited**  
**ABN 72 083 254 308**

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**Central Petroleum Limited**  
ABN 72 083 254 308

**Directors' report**  
**31 December 2010**

The Directors present their report on the consolidated entity consisting of Central Petroleum Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2010.

## **Directors**

The names of the Directors' of the parent company in office during the half year and until the date of this report are:

Henry J Askin  
John P Heugh  
Richard W Faull  
William J Dunmore

Directors' have held office for the period and until the date of this report unless otherwise stated.

## **Principal Activity**

The principal activity of the consolidated entity ("the Group") during the period was petroleum exploration.

## **Review of operations**

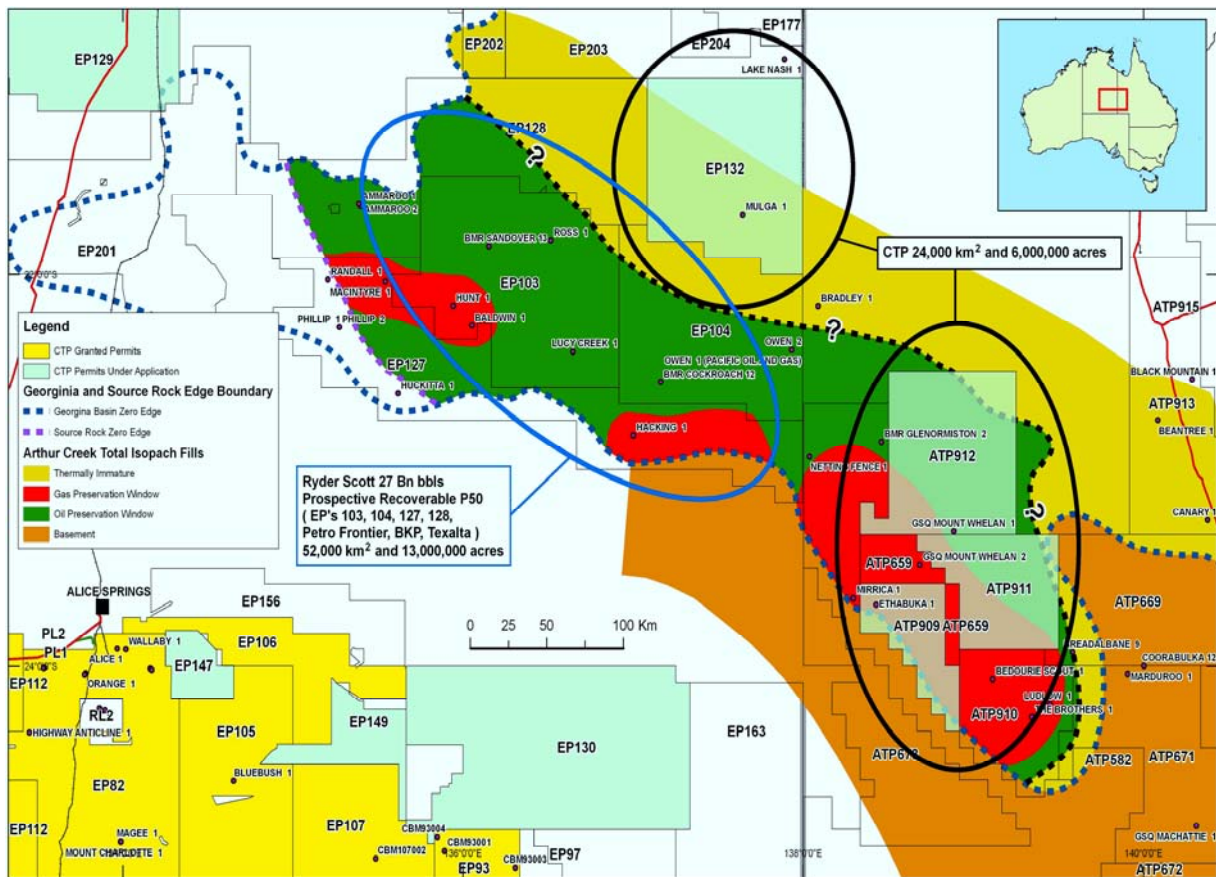
The Company's main goal is to discover and produce hydrocarbons and helium, thereby maximising shareholder returns by enhanced share value and potentially by dividend payments. It aims to operate a central Australian oil and gas hub connected to appropriate infrastructure to allow the export to domestic and overseas markets of both primary energy resources and value added hydrocarbon and helium products. Significantly, recent developments in the worldwide coal sector and recent coal discoveries by the Company in its vast Pedirka Basin mineral leases have led to interest from various groups in the Company's wholly owned subsidiary, Merlin Coal Pty Ltd concerning potential coal resources in this area.

At the time of completion of this report, the Company had attained a milestone in its corporate objectives by the discovery of significant oil shows in the Surprise-1 well within EP 115 in the north western Amadeus Basin. Although the well has been suspended for re-entry and deepening into the main target zone due to problems with the drilling rig, a core was taken in the Lower Stairway Sandstone, a primary target above the main objective zone, the deeper Pacoota Sandstone. The core ended in sandstone which exhibited close to 100% fluorescence attributed to the presence of oil, with the base of the Lower Stairway Sandstone yet to be reached. Independent tests on the core taken concluded that the cored zone had potential to flow at up to 1,000 barrels per day although electric logging, pressure gradient and other work needs to be done which may either confirm or negate this preliminary interpretation.

Elsewhere in EP115 the Johnstone West-1 well failed to flow oil to surface on test, but the oil shows here and at Surprise-1 have pushed the most westerly occurrence of oil within the Amadeus Basin much further west than any other occurrence of oil. The discovery of a "live" petroleum system this far west has potentially opened up a new petroleum exploration province. This development together with gas encountered at Ooraminna-2 in the Amadeus Basin and the significant coal intersections recorded in the Pedirka Basin have underscored the credibility of the Company's original philosophy of putting together large areas of prospective ground in a counter-cyclical acquisition strategy.

Directors' report  
 31 December 2010 (continued)

Subject to discovery success, within the constraints of current and potential future Joint Ventures, and access to relevant acreage, the Company plans to prioritise oil exploration and to potentially capitalise on early cash flow from any oil discoveries initially via trucking to port facilities at either of Port Darwin or Port Bonython. Early cash flow may also be possible from helium and "mini" LNG production and sales and this is regarded as an intrinsic part of the Company's overall strategy for relatively short term cash flow. In the longer term the Company is seeking to build gas resources to a threshold point where value-adding processes such as LNG and/or GTL for example can be brought into play. Apart from conventional oil and gas reservoir potential, the Company has significant areas prospective in unconventionally reservoired oil and gas potential in the Company's acreage in the Amadeus Basin and the Southern Georgina Basin, the latter area having received a lot of attention due to the publication of independent estimates of prospective recoverable resources of up to 27 billion barrels of oil at P50 level in permits adjoining the Company's acreage.



The Company's interests in the Southern Georgina Basin

DSWPET Pty Ltd, an independent consulting group has concluded that the Company has "mean" prospective recoverable resources of 26 TCFG and 1 billion barrels of oil in the Lower Larapinta Group sediments in permits and applications operated by the Company within the Amadeus Basin. A similar type of study by DSWPET Pty Ltd is underway on the Company's Southern Georgina Basin permit applications.

**Central Petroleum Limited**  
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**Directors' report**  
**31 December 2010 (continued)**

Assessment Unit	P90 "Low"	Mean	P10 "high"	Resource
Stairway Sandstone Continuous Gas AU (3,440 km <sup>2</sup> - 0.85 million acres)	1.1	5.1	10.5	TCFG
Horn Valley Siltstone Continuous Gas AU (7,395 km <sup>2</sup> -1.83 million acres)	2.6	11.3	23.8	TCFG
Pacoota Sandstone Continuous Gas AU (3,440 km <sup>2</sup> -0.85 million acres)	2.4	9.8	19.7	TCFG
<b>Total Gas all gas Aus</b> <b>(14,275 km<sup>2</sup>-3.53 million acres)</b>	<b>6.1</b>	<b>26.2</b>	<b>54.0</b>	<b>TCFG</b>
Horn Valley Continuous Oil AU (5,436km <sup>2</sup> -1.34 million acres)	0.214	1.061	2.3	Billions of BBLs

**Amadeus Basin – unconventional probabilistic unrisksed potentially recoverable prospective resources (DSWPET January 2011)**

A concept appraisal report by Holt Campbell and Payton Pty Ltd completed since the end of the half has concluded that, based on production parameters similar to the Palm Valley field in the Amadeus Basin, the capital cost of a 3 MTPA (3 million tonnes per annum) LNG plant at Darwin could be \$300/TPA less than the LNG plants proposed at Gladstone in Queensland.

As a result of the negotiated withdrawal of Petroleum Exploration Australia Pty Ltd (BG Group (Australia) company), Red Sky Energy (NT) Pty Ltd, and the termination of farmin agreement with Trident Energy Limited (TRI) the Company now retains 100% of all permits and applications other than the Simpson, Pellinor, Bajah and Dune prospect blocks within EP97 that the Company is farming in to from Rawson Resources Limited, and the Mt Kitty and Magee prospect blocks within EP125 and EP82 respectively which are the subject of a farmout to Oil and Gas Exploration Limited (previously He Nuclear Limited).

The Company is seeking potential joint venture participants with the financial capacity and the will to explore the vast prospective acreage at its disposal and is focussing its efforts here on large companies and majors in a deliberate move away from smaller partners who have demonstrated in the past the inability to fund their share of various joint ventures the Company had entered in to. Interest in the acreage has been shown by a number of Chinese, North American and Indian entities, all of whom meet the Company's requirements for capital and technical expertise.

In 2011, subject to funding and various contingencies inclusive of weather, access and the availability of appropriate crews and equipment, the Company plans to continue with an active programme of oil well drilling including the re-entry and deepening into the main target zone of Surprise-1 as well as further coal drilling and the drilling of the 400 km<sup>2</sup> Mt Kitty gas/condensate and helium prospect. Additional seismic inclusive of a 3D survey in the vicinity of Surprise-1 and Johnstone West-1 is also being planned but not committed to as yet. It is preferable that the Company will embark upon its next proposed drilling and seismic campaign when an appropriate farmout agreement or agreements have been executed.

The Company started the half year with \$37.5 million in cash and cash equivalents and at 31 December 2010 held \$17.7 million, both amounts inclusive of its share of cash held in Joint Venture bank accounts. Since the end of the half the various joint ventures have continued with their drilling

**Central Petroleum Limited**  
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**Directors' report**  
**31 December 2010 (*continued*)**

and seismic programmes. A Share Purchase Plan announced during the half was allowed to expire and all funds received have been returned to shareholders.

**Exploration, Joint Venture Activities and Highlights**

The logistics of petroleum exploration in central Australia have proved difficult during the half year, and indeed throughout most of 2010, due to unseasonal rainfall resulting in widespread flooding and difficult ground conditions preventing access and severely restricting ground vehicle movements over widespread areas of central Australia.

*Phase One 2009/2010 Seismic*

During the half year, a major 2D seismic regional and prospect oriented acquisition programme of over 1,300 km was interrupted by unseasonal and monsoonal rain. It was completed except for part of the uphole (weathered surface layers) survey in the Pedirka Basin and seismic acquisition within EPs 105 and 106 which will remain a work in progress. Results have been very successful with many new leads being developed for oil, gas, condensate and helium and some spectacular potential salt related structures being revealed. A number of established leads, particularly for oil, are anticipated to be matured into drillable prospects as soon as all the data has been processed, interpreted and mapped.

*Phase Two 2010 Programme*

Despite problems with Joint Venture participants PXA (Petroleum Exploration Australia Limited) and ROGNT (Red Sky Energy NT Pty Ltd), the Operator pressed ahead with the drilling of Ooraminna-2 and Johnstone West-1 to ensure the continued good standing of the permits.

*Ooraminna-2 (EP 82)*

The 2010 Phase Two Programme commenced in June 2010 with the spudding and drilling of Ooraminna-2, a large gas prospect close to Alice Springs which had flowed gas to surface already in a previous well drilled in 1963. Ooraminna-2 was designed to have a deviated hole section through the main Pioneer Sandstone target in an attempt to intersect an anticipated vertical fracture system. Although structural analysis remains to be completed based on drilling information and image logs acquired from this well, it appears that no significant fractures were intersected in this well. The structural analysis will assist in determining optimal locations for the intersection of fracture systems in other well sections yet to be drilled.

The Ooraminna-2 well reached a true vertical depth (TVD) of 1,622.2m and the MB Century Rig 7 was released on 7 August 2010 to be deployed at the Johnstone West-1 drilling location in EP 115. The drilling of Ooraminna-2 was a "technical success" with a stabilised gas flow to surface of 152,000 standard cubic feet of gas per day from a tight reservoir zone. The total area of the prospect structure may be over 1,000km<sup>2</sup> extending in to the contiguous permit application EPA 147 and the Company believes it may have potential for additional exploration and development, possibly employing horizontal drilling and/or fracking techniques. It is possible that there is potential for free flowing gas without well stimulation from other parts of the prospect remaining virtually unexplored to date. The granting of EPA 147 has been initially refused by the Central Land Council but the Company is hopeful of re-commencing negotiations within the moratorium period.

Subsequent to drilling the well gas analyses of samples taken during drilling showed a helium content of 0.22% and a nitrogen content of 10.5%. Such an analysis result may point the way to commercial helium production. If this helium were to be extracted with the nitrogen from the total gas composition then the resultant extracted gas would have a nitrogen content of 97.9% and a helium concentration of around 2.1%. Helium extracted at the BOC-Linde Group helium plant at Port Darwin has a reported average helium concentration of c.3% after commercial quantities of natural gas are extracted.

*Johnstone West -1 (EP 115)*

The Johnstone West-1 well was spudded on 19 August 2010 with a planned total depth (TD) of 1,367m in the Goyder Formation. The well reached a TD of 1,666.0m in the lower Pacoota Sandstone and following flow testing the MB Century Rig 7 was released on 5 October 2010. There were multiple



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**Directors' report**  
**31 December 2010 (*continued*)**

oil targets as well as shale oil/gas targets. The well penetrated a total gross hydrocarbon column of 128m based on show descriptions. Prior to flow testing, electric log analysis and drilled cuttings analysis on site showed an approximate net "pay" zone of 15m from 1,470m to 1,485m which was thought likely to flow to surface. Excellent oil shows with evidence of good porosity, live visible oil in samples, oil slicks mixed with drilling mud and very high oil saturation in fluoroscopic and visual examination in natural light over this interval were recorded and there were other shows of lesser significance within the hydrocarbon column. The results of flow testing however were profoundly disappointing and not anticipated. The formation fluids did not flow to surface but 18 barrels of saline formation fluid without significant hydrocarbons were recovered from the production tubing. The conclusion reached thus far is that the well had been drilled at the edge of potential closure and the oil shows tested represented an oil-water transition zone.

Further down hole pressure analysis will be conducted on down hole pressure gauges recently retrieved.

The most significant result of the well is that it confirmed the presence of "live" oil in an area previously undrilled. Johnstone West-1 was the first exploration well to be drilled west of the Central Ridge which is a major basement feature in the Amadeus Basin. The well confirmed the Johnstone Trough as a productive source kitchen area and a conservative estimate of the incremental Horn Valley Siltstone kitchen area is 1400 km<sup>2</sup>, west of the Central Ridge. The oil shows at Johnstone West-1 are possibly the most geologically significant oil shows encountered in the Amadeus Basin since the original oil discovery well at the Mereenie Field, West Mereenie-1 drilled in 1963.

It is planned to remap the Johnstone structure to examine potential for oil in other parts of the feature including on the northerly side of the main east-west trending thrust fault and inclusive of the Johnstone East structure.

*Surprise-1 (EP 115)*

The processing of new seismic acquired in early 2010 allowed the Company to develop a second oil target and mature it to drilling readiness, Surprise-1, a test of the same objectives in Johnstone West-1 in a deeper portion of the trough and oil kitchen some 8 km to the southwest of Johnstone West-1.

Although the prospect is considerably smaller than the Johnstone West and Johnstone East prospect in anticipated areal closure, an estimated "high" UOIP of 50 MMbbls and an estimated mean fully risked UOIP of 6 MMbbls is a significant target. It is located in what is thought to be in a geologically more favourable location with much shorter postulated migration distances.

The well spudded on 11 October 2010 with a planned TD of 3,016m (extendable subject to drilling results). A core was successfully retrieved from 2546.2 – 2554.4 m RT (depth below rotary table) and analysed to determine the relevant properties particularly porosity and permeability. Major fractures were observed in the zones 2547 – 2550 m and 2551 – 2554 m RT, the uppermost zone showing an abundance of light brown free oil, the lower containing black sticky oil. Significantly, the core ending in sandstone exhibited close to 100% fluorescence attributed to the presence of oil, with the base of the Lower Stairway Sandstone yet to be reached. An independent report by RPS Energy stated that the cored zone has potential to flow at up to 1,000 bbls/day with permeabilities in the zone 2546.2 to 2553.0m recorded at up to almost half a Millidarcy with an average permeability in the zone of 245 Millidarcies and an average porosity of 8%.

The rig and associated equipment together with service companies were successfully demobilised from site commencing late December 2011 due to an incident on the drilling rig resulting in the termination of the drilling contract with Century Energy Services Pty Ltd.

Future planning contemplated entails the re-entry of the well, coring of the Horn Valley Siltstone (a potential shale gas/shale oil target of wide spread distribution in the Amadeus Basin), deepening through the main Pacoota Sandstone objective to at least the top of the Neoproterozoic section, coring of the main Pacoota Sandstone target zone, electric logging, pressure gradient determination,

Directors' report  
31 December 2010 (continued)

sampling and or flow testing and potentially completion of the well as a production well if results warrant.

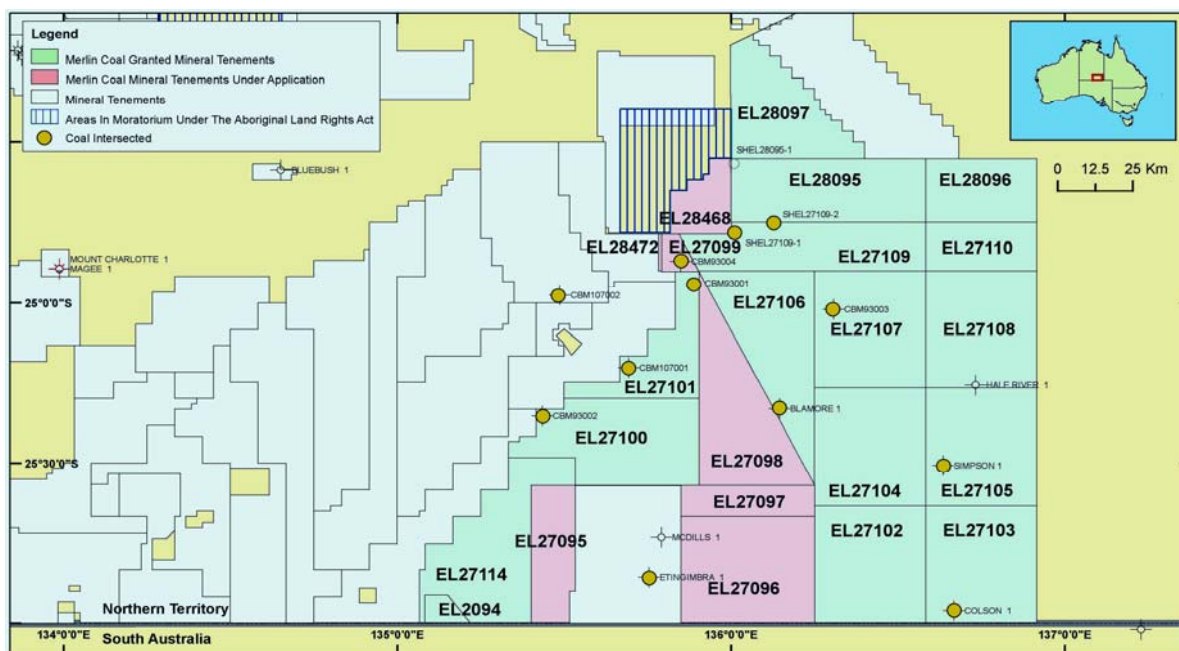
*Magee-2 (EP 82)*

This deep test of the Arumbera Sandstone and the Heavitree Formation at the base of the Neo-Proterozoic for gas, condensate and helium was planned to be carried out during the fourth quarter of 2010 but the positive results of the Johnstone West-1 well and the maturity of the Surprise-1 well, a promising oil prospect, resulted in a decision to postpone the drilling of Magee-2 until a later drilling campaign. Helium Australia Pty Ltd, a wholly owned subsidiary of the Company is in joint venture with Oil and Gas Exploration Limited (previously He Nuclear Limited) in the Magee Prospect Block within EP 82.

*Pedirka Basin Coal*

The Company commenced the drilling of the first of four planned stratigraphic coal exploration wells in its mineral tenements in the Pedirka Basin in December 2010. To date three holes have been drilled. The results of the previous drilling campaign for coal seam gas (CSG) were examined by internationally renowned independents Netherland, Sewell & Associates Incorporated who reported that although there remained some potential for biogenically derived CSG, they saw little chance of there being any thermally derived CSG in the Pedirka Basin.

The intersections of coal however throughout both the 2008 and the 2009/10 drilling campaigns were singularly impressive with individual seams up to 35m in thickness over widespread areas of the basin being apparent.



**Drilled intersections of Coal in the Pedirka Basin**

Three new mineral tenements (EL's 28095, 28096 and 28097) were offered for grant and accepted in December 2010. Further shallow coal holes are contemplated and the programme is contingent upon results gained from time to time.

At the time of preparation of this report three coal holes had been drilled. Coal hole SHEL27109-2 was completed and intersected approximately 33 m of net coal seams greater than 1 m in thickness. Coal hole SHEL27109-1 was completed and intersected approximately 70m of coal greater than 1m in thickness. Coal hole SHEL 28095-1, a step out to relatively unexplored parts of a frontier coal basin, was completed but failed to intersect a coal seam. The fourth well has been deferred for the time being due to weather and other conditions.



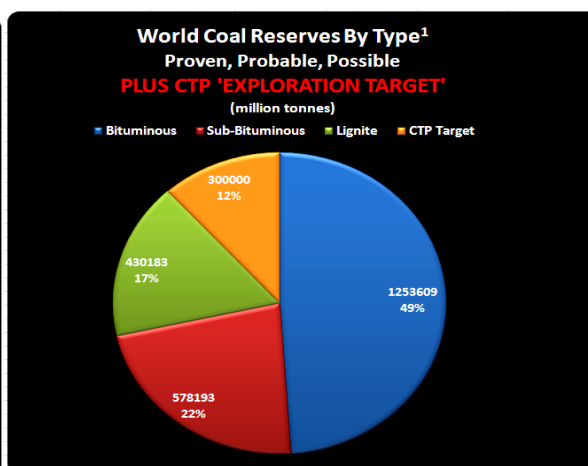
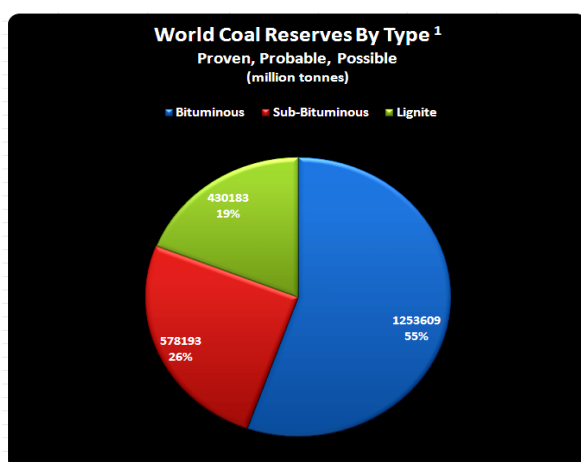
Directors' report  
31 December 2010 (continued)

Known Coal Intersections Pedirka Basin				
Well	Top Coal (m)	Base Coal (m)	Net Coal>1m	Thickest Seam (m)
CBM93-001	698.5	1203.2	139.4	34.6
CBM93-002	513.8	902.2	101.7	14.2
CBM93-003	719.6	834.6	1.2	1.2
CBM93-004	543.5	879.5	153.0	17.7
Blamore-1	1533.6	2037.4	111.3	16.9
SHEL27109-1	739.0	1035.6	70.3	17.8
SHEL27109-2	828.1	1170.3	29.0	6.1
Simpson-1	1721.3	1699.0	6.0	6.0
CBM107-001	745.0	1227.0	128.3	32.3
CBM107-002	296.5	470.9	63.5	21.4
Mt Hammersley	617.3	844.6	48.2	6.6
Dalmatia-1	593.2	640.9	1.8	1.8
Etingimbra-1	615.5	625.6	2.5	2.5
Colson-1	2132.9	2204.5	16.2	6.7

The coal, where tested to date, has preliminary indicative qualities as follows:

- Specific Energy 5 - 6,000 kcals/kg, or 20 - 25 MJ/kg
- > 300 Billion tonnes 1-1,000m – UCG, underground and open cut mining potential and also CTP potential which is the process of mining coal, gasifying on the surface and running the gas through a Fischer Tropsch GTL process to produce, inter alia, value added transport fuels
- Ash 8-19% (average 11%)
- Moisture (air dried) 8-19% (av. 14%)
- Single seams up to 35m in thickness

Shallower coals with average Specific Energy of some 20-21 MJ/kg have been tested and shown to have potential via washing and floatation to increase the Specific Energy to some 24-25 MJ/kg and this, prima facie, means that one of the coal products contemplated (briquetted or pelletised) may be comparable in part to many other “steaming” or thermal coals being exported from Queensland and New South Wales.



\* Coal tonnages viable "Exploration Target"-AusIMM – the potential quantity and grade of the coal is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource

## Central Petroleum Limited

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### Directors' report 31 December 2010 (*continued*)

There may be several ways to monetise any reserves which, subject to further exploration success, may be demonstrated. The strategies under examination include beneficiation, pelletising and export, mining and surface coal gasification to provide gas for a gas to liquids plant (CTL) or underground coal gasification (UCG) to provide feedstock for a gas to liquids plant ("GTL"). It must be noted that any potential monetisation of coal that may be proven in the Pedirka Basin is necessarily a long term and capital intensive process. Whilst cognizant of the inherent logistical difficulties associated with major coal operations in such a remote area, the Company is equally cognizant of the potentially vast energy reserves that may be proven, subject to exploration success. In the context of an energy hungry world, with the booming economies of countries such as China, India and Korea in relatively close proximity to Australia, the Company is hopeful that in time, ways will be devised to monetise such a vast potential storehouse of energy.

#### **Farm-ins /Farm-outs**

##### *Rawson Resource Limited Farmin Agreement*

Since October 2007, the Company's wholly owned subsidiary Merlin Energy Pty Ltd, has been farming in to Rawson Resources Limited's (Rawson) EP 97 Simpson, Bejah and Dune Prospect Blocks to earn an 80% interest in each of the blocks thought to be prospective for oil. Simpson-1 drilled by the Company in 2008 encountered interesting oil shows and limited coal intersections. As a result of the study of these results and both recent and older vintage seismic, the Company identified a prospective new trend, the Pellinor trend and on 6 August 2010 announced a new farmin agreement with Rawson to allow it to acquire an 80% interest in the Pellinor Prospect Block. The Company has completed the seismic requirements of the farmin concerned and now is to drill a well to earn an 80% interest in the prospect block concerned.

##### *New Devonian Reef Oil Play*

A study of seismic acquired in the Pellinor Block during the half resulted in the interpretation of a new Devonian reefal complex play with over 1,500m of vertical extent potential where examined. How widespread this may be will depend on the results of further interpretation. The clear seismic signature at the interpreted Pellinor Reef structure adds credence to the regional model previously described at the Erec and Lucan Prospects. These interpretations indicate the possibility of such play types extending from the northern margins of the Pellinor prospect block to the Simpson/Colson areas – a distance of nearly 100 km.

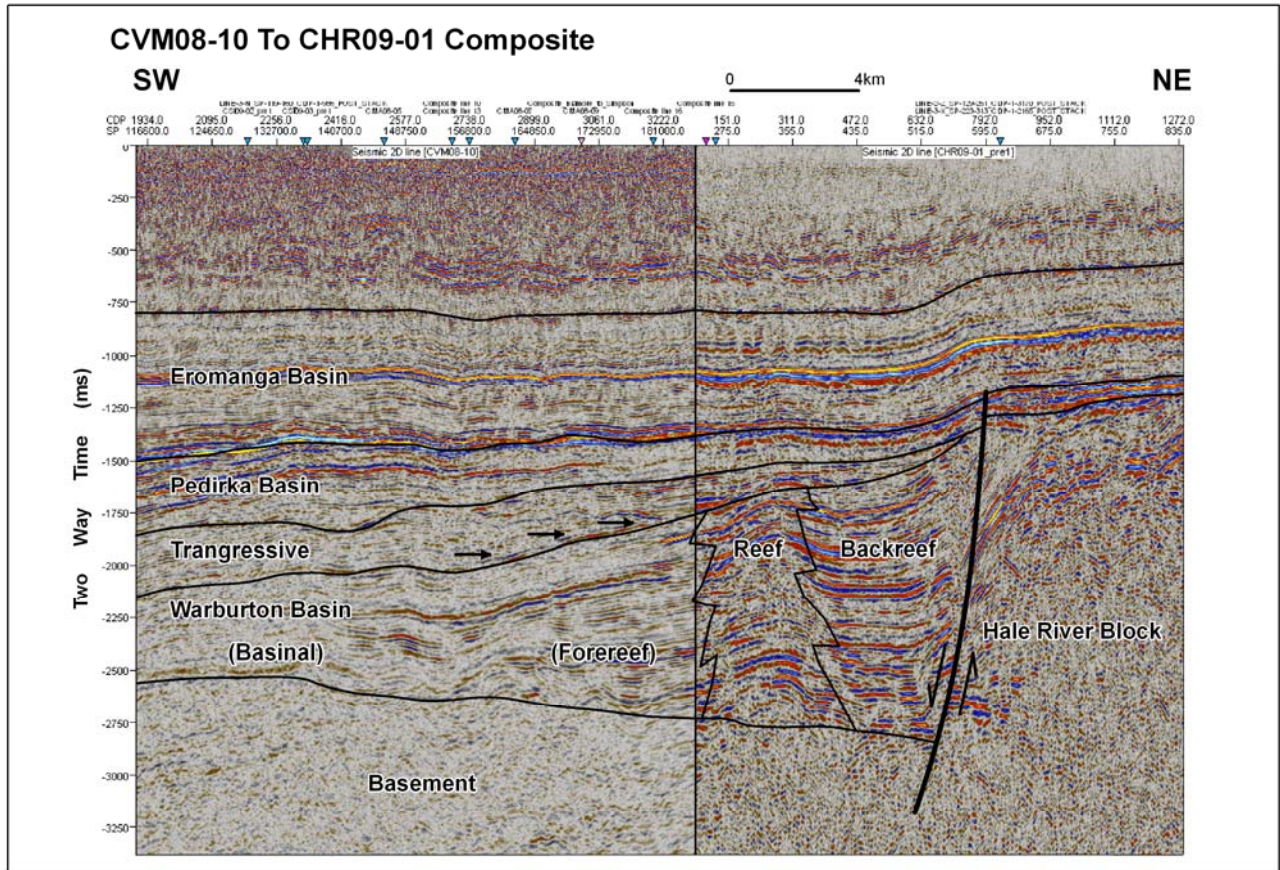
The Company announced to the ASX, in August 2008, that the Erec lead, largely within the Simpson prospect block, was thought to represent a Devonian carbonate platform reefal complex based on preliminary interpretation. Further seismic acquired during 2010 is now being processed and analysed.

The Erec lead has potential to host large volumes of Undiscovered Oil (or Gas) Initially in Place (UOIIP or UGIIP) up to a cumulative total in excess of about 5 Bbbls (billion barrels) oil equivalent at "high" estimate (SPE definition).

The Erec prospect is a stand alone carbonate platform prospect mapped on diagnostic seismic features with aerial closure of c.185 km<sup>2</sup> at top carbonate platform level. Additional plays target lobate slope fans and carbonate platform rim facies. The gross vertical extent of closure potentially available in the Erec Lucan play varies up to 300m across these two structures.

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**Directors' report**  
**31 December 2010 (continued)**



**Seismic profile and interpretation of the new Devonian Pellinor Reefal Complex associated with the Hale River Fault Trend in the Pellinor Prospect Block**

*Trident Energy Limited Farmin Agreement*

As a result of Trident Energy Limited's (TRI) inability to pay certain cash calls to cover its commitments within EP 115 TRI has withdrawn from any interest in the Company's acreage. TRI had previously withdrawn from EPA 111.

*Great Southern Gas Limited Farmin Agreement EPA 130*

In line with the Company's policy of furthering farmouts to big companies and majors, a settlement was recently reached with Great Southern Gas Limited for them to withdraw from the joint venture over EPA 130.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

# Central Petroleum Limited

ABN 72 083 254 308

## Directors' report 31 December 2010 (continued)

This report is made in accordance with a resolution of directors.



JP Heugh - Director  
Perth, Western Australia  
15 March 2011

### Competent Persons Statement

#### AI Maynard & Associates

Information in this announcement or attached report or notification which may relate to Exploration Results of coal tonnages in the Pedirka Basin is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG") and a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and an independent consultant to the Company. Mr Maynard is the principal of AI Maynard & Associates Pty Ltd and has over 30 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Maynard consents to inclusion in this Report or announcement of the matters based on his information in the form and context in which it appears.

#### Mulready Consulting Services

The Mulready Consulting Services Report on UCG and CSG which may be referred to in this report or announcement or notification was prepared by their Associate Mr Roger Meaney, who holds a BSc (Hons) from Latrobe University and has over 30 years experience in the petroleum exploration and production industry with 8 years experience in the field of Coal Seam Gas.

#### General Disclaimer

Potential volumetrics of gas or oil may be categorised as Undiscovered Gas or Oil Initially In Place (UGIIP or UOIIP) or Prospective Recoverable Oil or Gas in accordance with AAPG/SPE guidelines. Since oil via Gas to Liquids Processes (GTL) volumetrics may be derived from gas estimates the corresponding categorisation applies.

As new information comes to hand from data processing and new drilling and seismic information, preliminary results may be modified. Resources estimates, assessments of exploration results and other opinions expressed by the Company in this announcement or report have not been reviewed by any relevant joint venture partners, therefore those resource estimates, assessments of exploration results and opinions represent the views of the Company only. Exploration programmes which may be referred to in this announcement or report may not have been approved by relevant Joint Venture partners in whole or in part and accordingly constitute a proposal only unless and until approved.

This document may include statements that are forward looking statements. Such forward looking statements are by their nature speculative and based on various assumptions. Any such statements are hypothetical with respect to prospective events and should not be construed as being indicative of the actual events which will occur or a guarantee of future performance. All forward looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ from those contemplated by the relevant forward looking statements. Any exploration programme proposal is contingent upon several factors, including, but not limited to, access, weather, funding, and availability of appropriate crew and equipment.

NOTICE: The participating interests of the relevant parties in the respective permits and permit applications are:

- EP-82 (excluding the Central subsidiary Helium Australia Pty Ltd ("HEA") and Oil & Gas Exploration Limited ("OGE") (previously He Nuclear Ltd) Magee Prospect Block) - HEA 100%
- Magee Prospect Block, portion of EP 82 – HEA 84.66% and OGE 15.34%.
- EP-93, EP-105, EP-106, EP-107, EPA-92, EPA-129, EPA-130, EPA-131, EPA-132, EPA-133, EPA-137, EPA-147, EPA-149, EPA-152, EPA-160, ATP-909, ATP-911, ATP-912 and PELA-77 - Central subsidiary Merlin Energy Pty Ltd 100% ("MEE").
- The Simpson, Bejah, Dune and Pellinor Prospect Block portions within EP-97 – MEE 80% and Rawson Resources Ltd 20%.
- EP-125 (excluding the Central subsidiary Ordiv Petroleum Pty Ltd ("ORP") and OGE Mt Kitty Prospect Block) and EPA-124 – ORP 100%.
- Mt Kitty Prospect Block, portion of EP 125 - ORP 75.41% and OGE 24.59%.
- EP-112, EP-115, EP-118, EPA-111 and EPA-120 - Central subsidiary Frontier Oil & Gas Pty Ltd 100%.
- PEPA 18/08-9, PEPA 17/08-9 and PEPA 16/08-9 - Central subsidiary Merlin West Pty Ltd 100%.



### **Auditor's Independence Declaration**

As lead auditor for the review of Central Petroleum Limited for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Central Petroleum Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'W. P. R. Meston', is written over a faint, light blue grid background.

William P R Meston  
Partner  
PricewaterhouseCoopers

Perth  
15 March 2011

**Central Petroleum Limited**  
ABN 72 083 254 308

**Consolidated statement of comprehensive income**  
**For the half-year ended 31 December 2010**

	Notes	Half-year 2010	Half-year 2009
		\$	\$
<b>Continuing Operations</b>			
Other income	4	650,192	663,822
Bad and doubtful debts		(394,709)	-
Finance costs		(1)	(42,623)
Employee benefits		(1,267,082)	(695,950)
Exploration expenditure		(28,717,838)	(2,398,710)
General and administrative expenses		(1,014,560)	(1,200,382)
Share based employment benefits	5,6	(92,300)	(132,255)
<b>Loss before income tax</b>		<b>(30,836,298)</b>	<b>(3,806,098)</b>
Income tax expense		-	-
<b>Loss for the year from continuing operations</b>		<b>(30,836,298)</b>	<b>(3,806,098)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the half-year</b>		<b>(30,836,298)</b>	<b>(3,806,098)</b>
<b>Attributable to shareholders of Central Petroleum Limited</b>		<b>(30,836,298)</b>	<b>(3,806,098)</b>
<b><u>Earnings per share</u></b>			
Loss per share (cents, basic)		(3.26)	(0.66)
Loss per share (cents, diluted)		(3.26)	(0.66)

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



**Central Petroleum Limited**  
ABN 72 083 254 308

**Consolidated balance sheet**  
**As at 31 December 2010**

	Notes	31 December 2010	30 June 2010
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		17,682,330	37,529,579
Trade and other receivables		5,377,148	11,814,587
Inventory		867,397	968,376
Other financial assets		2,480,091	-
<b>Total current assets</b>		<b>26,406,966</b>	<b>50,312,542</b>
<b>Non-current assets</b>			
Property, plant and equipment	3	547,604	593,232
Exploration assets		10,184,632	10,237,492
Other financial assets		978,686	3,428,923
<b>Total non-current assets</b>		<b>11,710,922</b>	<b>14,259,647</b>
<b>Total assets</b>		<b>38,117,888</b>	<b>64,572,189</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		6,051,588	7,833,511
Provisions		293,373	225,729
<b>Total current liabilities</b>		<b>6,344,961</b>	<b>8,059,240</b>
<b>Non-current liabilities</b>			
Provisions		-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>6,344,961</b>	<b>8,059,240</b>
<b>Net assets</b>		<b>31,772,927</b>	<b>56,512,949</b>
<b>EQUITY</b>			
Issued capital	5	99,213,446	93,209,470
Share options reserve	5	6,855,732	6,763,432
Accumulated losses		(74,296,251)	(43,459,953)
<b>Total equity</b>		<b>31,772,927</b>	<b>56,512,949</b>

*The above consolidated balance sheet should be read in conjunction with the accompanying notes.*

**Central Petroleum Limited**  
ABN 72 083 254 308

**Consolidated statement of changes in equity**  
**For the half-year ended 31 December 2010**

	Notes	Attributable to owners of Central Petroleum Limited			Total \$
		Issued Capital \$	Option Reserve \$	Accumulated Losses \$	
<b>Total equity at 1 July 2009</b>		<b>68,685,229</b>	<b>6,436,405</b>	<b>(31,650,226)</b>	<b>43,471,408</b>
Total comprehensive loss for the period		-	-	(3,806,098)	(3,806,098)
<b>Transactions with owners in their capacity as owners</b>					
Contributions of equity, net of transaction costs		2,719,851	-	-	2,719,851
Share based payments		-	132,255	-	132,255
<b>Total equity at 31 December 2009</b>		<b>71,405,080</b>	<b>6,568,660</b>	<b>(35,456,324)</b>	<b>42,517,416</b>
<b>Total equity at 1 July 2010</b>		<b>93,209,470</b>	<b>6,763,432</b>	<b>(43,459,953)</b>	<b>56,512,949</b>
Total comprehensive loss for the period		-	-	(30,836,298)	(30,836,298)
<b>Transactions with owners in their capacity as owners</b>					
Contributions of equity, net of transaction costs	<b>5</b>	6,003,976	-	-	6,003,976
Share based payments	<b>5</b>	-	92,300	-	92,300
<b>Total equity at 31 December 2010</b>		<b>99,213,446</b>	<b>6,855,732</b>	<b>(74,296,251)</b>	<b>31,772,927</b>

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

**Central Petroleum Limited**  
**ABN 72 083 254 308**

**Consolidated statement of cash flows**  
**For the half-year ended 31 December 2010**

	Notes	Half-year 2010 \$	Half-year 2009 \$
<b>Cash flows from operating activities</b>			
Interest received		584,450	483,921
Payments to suppliers and employees		(26,321,117)	(5,431,828)
Net cash outflow from operating activities		<u>(25,736,667)</u>	<u>(4,947,907)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(84,704)	(143,690)
Lodgement/release of interest bearing security bonds		(29,854)	(572,905)
Payments for investments in listed entities		-	(2,356,403)
Proceeds from sale of investment in listed entities		-	2,531,774
Net cash outflow from investing activities		<u>(114,558)</u>	<u>(541,224)</u>
<b>Cash flow from financing activities</b>			
Proceeds from bond issues		-	3,000,000
Proceeds from issues of shares		6,451,281	17,508
Payments for capital raising costs		(447,305)	(297,657)
Net cash inflow from financing activities		<u>6,003,976</u>	<u>2,719,851</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(19,847,249)</b>	<b>(2,769,280)</b>
<b>Cash and cash equivalents at the beginning of the half-year</b>		<b>37,529,579</b>	<b>35,930,650</b>
<b>Cash and cash equivalents at the end of the half-year</b>		<b><u>17,682,330</u></b>	<b><u>33,161,370</u></b>

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

**Central Petroleum Limited**  
ABN 72 083 254 308

**Notes to the financial statements**  
**31 December 2010**

**1. Basis of preparation of half-year report**

This general purpose interim financial report for the half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Central Petroleum Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**(a) Impact of standards issued but not yet applied by the entity**

In December 2009, the AASB issued AASB 9 *Financial Instruments* which addresses the classification and measurement of financial assets and may affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact and has not yet decided when to adopt AASB 9 however it is not expected to have a material impact on the group.

**2. Segment information**

**(a) Description of segments**

*Operating Segments*

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income and statement of financial position.

The group operates in a single industry segment being that of exploration for hydrocarbons, helium and coal/coal seam gas in Australia.

**3. Property, plant and equipment**

During the half-year ended 31 December 2010, the group acquired assets at a cost of \$84,704.

**Central Petroleum Limited**  
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**Notes to the financial statements**  
**31 December 2010 (continued)**

	Half-Year	
	31 December 2010	31 December 2009
<b>4. Other income</b>	\$	\$
Interest revenue	650,192	488,451
Profit on sale of investments in listed entities	-	175,371
	<b>650,192</b>	<b>663,822</b>
	31 December 2010	30 June 2010
	\$	\$
<b>5. Issued capital and options reserve</b>		
<b>Issued Capital</b>		
982,298,842 ordinary shares	<b>99,213,446</b>	<b>93,209,470</b>
(30 June 2010: 907,289,333 ordinary shares)		
<b>Share Options Reserve</b>	<b>6,855,732</b>	<b>6,763,432</b>
319,583,857 share options		
(30 June 2010: 320,593,366 Share options)		

	Half Year		Half Year	
	31 December 2010	31 December 2010	31 December 2009	31 December 2009
	\$	No. of securities	\$	No. of securities
<b><i>Movements in ordinary shares on issue during the half-year:</i></b>				
Balance at the beginning of the half-year	93,209,470	907,289,333	68,685,229	564,244,921
Issue of ordinary shares	6,450,000	75,000,000	-	-
Conversion of convertible bonds	-	-	3,000,000	29,078,962
Exercise of share options	1,281	9,509	17,507	109,425
Transaction costs	(447,305)	-	(297,656)	-
<b>Balance at the end of the half-year</b>	<b>99,213,446</b>	<b>982,298,842</b>	<b>71,405,080</b>	<b>593,433,308</b>

**Central Petroleum Limited**  
ABN 72 083 254 308

**Notes to the financial statements**  
**31 December 2010 (continued)**

**5. Issued capital and options reserve (continued)**

	Half Year		Half Year	
	31 December 2010	31 December 2010	31 December 2009	31 December 2009
	Share options Reserve \$	No. of securities	Share options Reserve \$	No. of securities
<i>Movements in share options on issue during the half-year:</i>				
Balance at the beginning of the half-year	6,763,432	320,593,366	6,436,405	313,713,425
Share based payments:				
30/11/2010 options exercisable at \$0.30	-	-	2,249	-
31/07/2011 options exercisable at \$0.33	-	-	1,704	-
19/01/2012 options exercisable at \$0.25	-	-	10,249	-
16/02/2012 options exercisable at \$0.25	-	-	1,451	-
23/02/2012 options exercisable at \$0.25	-	-	1,419	-
23/02/2012 options exercisable at \$0.20	-	-	115,183	-
31/03/2014 options exercisable at \$0.20	45,569	-	-	-
31/05/2015 options exercisable at \$0.122	28,899	-	-	-
31/10/2015 options exercisable at \$0.11	17,832	800,000	-	-
Expiry of options exercisable at \$0.30	-	(1,800,000)	-	(1,333,334)
Expiry of options exercisable at \$0.25	-	-	-	(1,333,334)
Exercise of options at \$0.16	-	(9,509)	-	(109,425)
<b>Balance at the end of the half-year</b>	<b>6,855,732</b>	<b>319,583,857</b>	<b>6,568,660</b>	<b>310,937,332</b>

**6. Share based employment benefits**

The company issues options to employees under an Employee Incentive Share Option Scheme. The fair value of the options granted is estimated at the date of grant using a Black Scholes model, taking into account the terms and conditions upon which the options were granted.

*Half-year ended 31 December 2010*

800,000 share options were granted to employees under the Employee Incentive Share Option Scheme. The exercise price is \$0.11 with an expiry date of 31 October 2015. Share based employment benefits also includes the vesting portions for options granted in prior periods.

*Half-year ended 31 December 2009*



**Central Petroleum Limited**  
**ABN 72 083 254 308**

**Notes to the financial statements**  
**31 December 2010 (continued)**

No share options were granted under the Employee Incentive Share Option Scheme. Share based employment benefits represents the vesting portions for options granted in prior periods.

**7. Contingencies and commitments**

(a) Exploration contingencies and commitments

The consolidated entity has exploration expenditure commitments on various permit areas held in Australia.

	<b>Consolidated</b>	
	<b>31 December 2010</b>	<b>30 June 2010</b>
	<b>\$</b>	<b>\$</b>
Due not later than 1 year	-	9,160,263
Due later than 1 year	48,660,000	45,840,000
<b>Total</b>	<b>48,660,000</b>	<b>55,000,263</b>

In the petroleum industry it is common practice for entities to farm-out, transfer or sell a portion of their rights to third parties and, as a result, obligations may be reduced or extinguished.

(b) Operating lease commitments

The Group has non-cancellable operating leases for office premises in Perth expiring on 28 February 2012 and 30 September 2013 and in Alice Springs expiring 30 June 2012.

	<b>Consolidated</b>	
	<b>31 December 2010</b>	<b>30 June 2010</b>
	<b>\$</b>	<b>\$</b>
Due not later than 1 year	433,561	420,112
Due later than 1 year	333,343	522,447
<b>Total</b>	<b>766,904</b>	<b>942,559</b>

There are no other material contingent liabilities or contingent assets of the group at 31 December 2010 other than those shown above.

**8. Subsequent events**

On 4 January 2011 the group acquired residential property in Alice Springs, Northern Territory, for the sum of \$421,452. The financial effects of this transaction have not been brought to account at 31 December 2010.

Apart from the above, there are no material events subsequent to the end of the half-year ended 31 December 2010 that have not been reflected in the financial statements for the half-year ended on that date.

**Central Petroleum Limited**  
ABN 72 083 254 308

**Directors' declaration**  
**31 December 2010**

In the directors' opinion:

- (a) The financial statements and notes set out on pages 14 to 21 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that Central Petroleum Limited will be able to pay its debts as and when they become due and payable..

This declaration is made in accordance with a resolution of directors.

A handwritten signature in dark ink, appearing to read 'JP Heugh', is written over a faint, light-colored rectangular stamp or watermark.

JP Heugh - Director  
Perth, Western Australia  
15 March 2011



## **Independent auditor's review report to the members of Central Petroleum Limited**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Central Petroleum Limited, which comprises the balance sheet as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Central Petroleum Limited Group (the consolidated entity). The consolidated entity comprises both Central Petroleum Limited (the company) and the entities it controlled during that half-year.

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Central Petroleum Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.



*Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Central Petroleum Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be 'W. P. R. Meston', written in a cursive style.

William P R Meston  
Partner

Perth  
15 March 2011

**Central Petroleum Limited**  
ABN 72 083 254 308

**Corporate directory**

**Directors**

Henry J Askin BSc (Hons) PhD, Non-executive Chairman  
John P Heugh BSc (Hons), Managing Director  
Richard W Faull BCom CPA, Non-executive Director  
William J Dunmore BSc MSc, Non-executive Director

**Company Secretaries**

Daniel CM White LLB BCom,LLM  
Bruce W Elsholz, BCom CA

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**Auditors**

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