

CENTRAL PETROLEUM LIMITED

ABN 72 083 254 308

**ANNUAL REPORT
2006**



NOTICE OF ANNUAL GENERAL MEETING

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DIRECTORS

Henry J Askin BSc (Hons 1st) PhD, Non-executive Chairman
John P Heugh BSc (Hons), Managing Director
Richard W Faull BCom CPA, Executive Director
William J Dunmore BSc MSc, Non-executive Director

COMPANY SECRETARY

Richard W Faull BCom CPA

REGISTERED OFFICE

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AUDITORS

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www.stanton.com.au

SHARE REGISTRAR

Computershare Investor Services Pty Limited
45 St Georges Terrace
Perth
Western Australia 6000
Telephone: +61(0)8 9323 2000
Fax: +61(0)8 9323 2033
www.computershare.com

Fellow Shareholders,

Since the listing of Central Petroleum Limited in March of this year, the company has made substantial progress towards the commencement of field operations, both seismic survey acquisition and drilling.

The original field data from the 1986 and 1987 seismic surveys over the Hal1lows Trend/Pedirka Basin in NT EP93 have been reprocessed to modern standards and assessed as "high quality, leading to good reliability for interpretation". This seismic has then been used for the remapping of the prospect area by separate independent consultants, and as a result, both the Avalon and Blamore Prospects have been confirmed as valid targets mature for drilling. Of these, the Blamore Prospect is the more attractive with an assessed Probabilistic Mean Recoverable Oil volume of the order of 40 million barrels including all objective levels.

Not surprisingly then, the first well to be drilled by Central Petroleum will be the Blamore Prospect. The location is remote, and it is only prudent that an appropriate all weather access route to the site be established, an access which moreover can be utilized economically in possible future exploration and hopefully production operations in the area. Although the drilling location itself has received sacred site clearance, this access issue has been under discussion with the Central Land Council for almost six months, with a satisfactory resolution now clearly on the critical path of the drilling schedule.

In the Amadeus Basin, acquisition contracts have been awarded for new seismic surveys over the prime prospects of Johnson/Gypsum, Ooraminna, Waterhouse and Mt. Kitty with the objective of maturing these to drillable status. This survey work is expected to be underway during the fourth quarter this year, subject to completion of access approvals, which in turn could lead to drilling during 2007.

On a more general note, oil prices show no signs of long term weakness, and indeed the present price in excess of USD70 per barrel serves to highlight the enviable economic potential intrinsic to the company's exploration holdings. Of particular significance is the beneficial effect of these sustained high prices on the economics of gas to liquids conversion (GTL), a process providing a ready way to monetize any large gas discoveries in the Amadeus Basin which would otherwise likely remain stranded.

We are of course dealing with very large exploration holdings, of a total area that would challenge the resources of all but the largest oil majors to explore thoroughly. And whereas the Australian Government appears ready to introduce some exploration incentives, these seem to be limited to the provision of pre-competitive seismic data in remote offshore areas which would in any case be generally the preserve of major companies. Such incentives fall far short of the full tax deductibility that once applied to direct investment in Australian exploration companies, and have no relevance to present onshore exploration in Australia's petroliferous basins.

Consequently, Central Petroleum is actively pursuing and developing farm-out possibilities to enable and maintain a sustainable broadly based exploration programme, and is in discussion with several major oil companies who are reviewing data under confidentiality agreements. It should be realized that such a risk and cost sharing strategy is not itself without risk when testing a prospective basin with a first well, since in the case of success the final reward is also diluted.

However, to sum up, your company holds a highly prospective acreage portfolio and over the past months the groundwork for the forthcoming field operations including the drilling of the Blamore-A exploration well has been set in place. The economics of the oil industry are unusually favorable, and given even a modest success the Directors look forward to an exceptional growth for the company. Certainly, all things considered, the next 12 months will deliver interesting times for all.

Dr. Henry J. Askin
Chairman.

Melbourne, 1 September, 2006.

DIRECTORS' REPORT

The Directors present this report for the financial year ended 30 June 2006.

DIRECTORS

The names of the Directors of the parent company in office at any time during or since the end of the financial year are:

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

Directors have held office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITY

The principal activity of the consolidated entity during the financial year was petroleum exploration.

OPERATING RESULT

The consolidated entity had an after tax loss of \$1,315,064 (2005: \$1,507,807).

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid during the year and no recommendation is made as to dividends.

REVIEW OF OPERATIONS

During the year, the Company issued a prospectus and a supplementary prospectus and consequently raised \$10,621,400. Seed capital subscriptions and the exercise of options to subscribe for ordinary shares raised a further \$229,300.

On 21 February 2006, the Company purchased the whole of the issued capital of Frontier Oil & Gas Pty Ltd and Ordiv Petroleum Pty Ltd for a consideration of 23.5 million shares plus 8 million options, exercisable at 20 cents per share on or before 20 February 2011, in the Company and a cash payment of \$400,000. The companies hold title to Northern Territory Exploration Permits 112, 118, and 125 and applications for EPA 111, 120, and 124.

On 22 February 2006, the Company purchased the whole of the issued capital of Helium Australia Pty Ltd which holds Exploration Permit 82 in the Amadeus Basin which contains the Ooraminna gas appraisal target prospect and the Magee No. 1 petroleum and helium discovery for a consideration of 17.5 million shares plus 8.75 million options, exercisable at 20 cents per share on or before 31 May 2010, in the Company.

On 2 March 2006, the Company was granted admission to the official list of the Australian Stock Exchange Limited and quotation of the Company's securities started on 7 March 2006.

Pedirka Basin

EP 93, EPA 130, EPA 131, PELA 77

The consolidated entity reprocessed original field seismic data over the Blamore and Avalon Prospects in EP93, in the Simpson Desert, and it has subsequently been fully analysed and mapped with the result that two prospects are thought to have over 60 MMbbls of potentially recoverable undrilled resources in the "best" or P50 category in five stacked horizons. Access to these prospects has been investigated, negotiations with the Central Land Council about access is progressing and a request has been made for sacred-site clearance for the access route. An environmental report has been commissioned. Tenders have been invited for the drilling of Blamore #1 with an option to drill Avalon #1 back to back.

Amadeus Basin

EP 82, EPA 111, EP 112, EPA 115, EP 118, EPA 120, EPA 124, EP 125, EPA 133

A detailed aerial photographic survey of the Waterhouse and Ooraminna Prospects in EP 82 and EP 112 was conducted. The purpose of the survey was to integrate the data with Landsat and PAN data to complete a detailed structural analysis of all of the prospects. A \$3,500,000 budgeted seismic survey to better define drilling targets for the Ooraminna, Waterhouse, Johnstone, Gypsum, and Mt Kitty Prospects is planned and tenders were invited for this work.

Wiso Basin (Lander Trough)

EPA 92, EPA 129

Applications for exploration permits EPA 92 and EPA 129 are at various stages of progress with the period of negotiation to be extended by the Central Land Council.

Georgina Basin

EPA 132

Negotiations with regards to the application for EPA 132 have not yet commenced.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year not otherwise disclosed in this report or the financial statements.

AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may effect the operations of the consolidated entity, the results of those operations or the consolidated entity's state of affairs in future financial years not otherwise disclosed in this report or the financial statements, except that an application has been made for Exploration Permit 137 in the Amadeus Basin, Northern Territory.

FUTURE DEVELOPMENTS

Likely developments in the operations of the consolidated entity and the expected results of those operations have not been included in this report because, in the opinion of the Directors, it may prejudice the interests of the consolidated entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity is subject to significant environmental regulation with regard to its oil exploration activities. The consolidated entity aims to ensure that the appropriate standard of environmental care is achieved. The Directors are not aware of any breach of relevant regulations.

SHARE OPTIONS

27,435,334 options over unissued shares were granted by the parent company during the year. Of these, 756,834 options were granted to seed capitalists, 26,553,500 were granted pursuant to a prospectus, and 125,000 were granted as consideration for the receipt of corporate advice. The expiry date of these options is the 30th June 2007. The exercise price is 20 cents per option.

Another 8,750,000 options over unissued shares were granted by the parent company during the year to the vendors of Helium Australia Pty Ltd. The expiry date of these options is the 31st May 2010. The exercise price is 20 cents per option.

Another 8,300,000 options over unissued shares were granted by the parent company during the year to the nominees of Martin Place Securities Pty Ltd, the underwriter of the Prospectus. The expiry date of these options is the 31st May 2010. The exercise price is 20 cents per option.

Another 8,000,000 options over unissued shares were granted by the parent company during the year to the vendors of Ordiv Petroleum Pty Ltd and Frontier Oil & Gas Pty Ltd. The expiry date of these options is the 20th February 2011. The exercise price is 20 cents per option.

11,250 ordinary fully paid shares were issued by virtue of the exercise of options during the year. No other shares have been issued during the year or to the date of this report by virtue of the exercise of options. No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate. At the date of this report there are 68,813,251 unissued ordinary shares for which options are outstanding.

INFORMATION ON DIRECTORS

Henry J Askin BSc (Hons 1st) PhD

Chairman

Dr Askin has over 30 years experience in the oil exploration industry, of which some 25 years were with the Shell Group of Companies, most recently a consultant. From 1990 until his retirement from executive duties in December 1997, he was exploration manager with Shell Development Australia in Melbourne, with responsibility for the conduct of the company's exploration programme. Throughout this period he was Shell's representative on the APPEA Exploration Committee, and was a director of the various Shell companies pursuant to operations in the Indonesia Australia Zone of Cooperation.

Dr Askin's previous appointments with the Shell Group were in Australia, Oman, Norway, the Netherlands, and India. During this time he held various positions including seismic interpreter, chief geophysicist, seismic processing manager, deputy head of new exploration ventures and, immediately prior to returning to Australia, general manager of Shell India.

While his career has ranged from seismic interpretation and prospect generation to senior management, Dr Askin has contributed to the practice of geophysics in the wider sense, most notably in the co-authorship of a paper read at the EAEG meeting in Belgrade (1987) which received the inaugural best paper award. He is a life member of the Society of Exploration Geophysicists, an active member of the European Association of

Geoscientists and Engineers, and a member of the Petroleum Exploration Society of Australia. Dr Askin is a director of Bass Strait Oil Company Limited. Within the last three years, he has not been a director of any other listed public company.

John Heugh BSc (Hons) (Geology and Science).

Managing Director

A practising Geologist, Mr Heugh has over 25 years experience in many aspects of petroleum and mineral exploration, with 15 years experience in oil field exploration and development, both on shore and off shore, in Australia and overseas, supplemented by 10 years metallics, environmental and general geology experience.

He has worked as a consultant to or with sub-contractors working for a number of petroleum companies, including Esso, Wapet, Pancontinental Petroleum, Santos, Western Mining Corporation, Bridge Oil, Ampol, Kuwaiti Foreign Petroleum Corporation, Arco and Chevron-Texaco. Mr Heugh also has expertise in technical sales management, general management, exploration, joint venture and contract negotiation and management, project generation, logistics, engineering technical support and remote area operations.

He has undertaken specialist correspondence studies in oilfield drilling technology and development at the University of Texas and has completed advanced management courses with the Australian Institute of Management.

He holds an honours degree in Science, majoring in Geology from the University of New England in New South Wales. Mr Heugh is Chairman of the Curtin University Centre of Excellence in Petroleum Geology and Engineering Annual Symposia on Extreme Operations, Petroleum. He is a member of the Gerson Lerhman Council of Energy Advisers. Within the last three years, Mr Heugh has not been a director of any other listed public company.

Richard Faull BCom CPA.

Executive Director responsible for Finance and Company Secretary

Mr Faull has had over 25 years experience as a Director, Executive and Company Secretary in mining and petroleum exploration companies. He is currently a Director and Company Secretary of Fleurieu Mines NL and Barranco Resources NL. Within the last three years, Mr Faull has not been a director of any other listed public company.

Mr Faull has a degree in Commerce from the University of Western Australia and is a member of CPA Australia.

William J Dunmore BSc MSc.

Non-executive Director

Mr Dunmore is an experienced reservoir and production engineer with significant transaction, analysis and financial modelling experience gained by consultancies and employment with a number of banks, financial institutions and petroleum companies including HBOS, Rothschilds, Gaffney Cline and Associates, BHP Petroleum, Schlumberger, Hardman, Mobil, Lasmo, Petrobras, CSX, Total, Nippon Oil, Powergen, Mosbacher, Unocal and Svenska Petroleum. He has over 30 years of direct relevant experience internationally. Within the last three years, Mr Dunmore has not been a director of any other listed public company.

MEETINGS OF DIRECTORS

During the financial year, 11 meetings of Directors of the parent company were held. Attendances were as follows:

	Number eligible to attend	Number attended
HJ Askin	11	11
JP Heugh	11	10
RW Faull	11	11
WJ Dunmore	11	0

Business of the Directors was often effected by written resolutions signed by all of the Directors that were eligible to vote on the resolution.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for Directors of the Company.

Remuneration Policy

The remuneration policy of the Company is to pay its Directors and executives amounts in line with employment market conditions relevant in the oil exploration industry.

Directors and executives are also entitled to participate in proposed employee share and option arrangements. The Directors and executives receive a superannuation guarantee contribution required by law, which is currently 9% of earnings, and do not receive any other retirement benefits. All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Shares given to Directors and executives are valued as the difference between the market price of those shares and the amount paid by the Director or executive. Options are valued using either the Black-Scholes or binomial methodologies.

The Company currently has no performance based remuneration component built into Director and executive remuneration packages although the Executive Service Agreements with the Executive Directors allow for performance-based bonuses over and above the salaries and, in determining the extent of the bonuses, the Company shall take into consideration key performance indicators, which have not yet been set.

Service Agreements

Remuneration and other terms of employment for the Executive Directors and the Non-executive Directors are formalised in service agreements. An overview of the service agreements are set out following.

Non-executive Directors

The Company has agreed to terms of engagement with Dr Henry Askin and Mr William Dunmore whereby they are appointed as Non-executive Directors of the Company. The terms of appointment are subject to the Company's Constitution. The terms of engagement also require the Company to maintain an appropriate level of Directors and Officers' Liability Insurance and provide rights relating to indemnity, insurance, and access to documents.

Executive Directors

The Company has entered into an Executive Services Agreement with Mr John Heugh whereby he is employed as the Managing Director. The term of employment is for four years starting on 2 March 2006. His base salary is \$185,000 per annum plus statutory superannuation plus director's fee of \$40,000 per annum. The terms of employment also require the Company to maintain an appropriate level of Directors and Officers' Liability Insurance and provide rights relating to indemnity, insurance, and access to documents.

The Company has entered into an Executive Services Agreement with Mr Richard Faull whereby he is employed as an Executive Director. The term of employment is for four years starting on 2 March 2006. His base salary is \$135,000 per annum plus statutory superannuation plus director's fee of \$40,000 per annum. The terms of employment also require the Company to maintain an appropriate level of Directors and Officers' Liability Insurance and provide rights relating to indemnity, insurance, and access to documents.

Details of the remuneration of Directors and highest paid executives are in the following table:

Remuneration of Directors and Highest Paid Executives

	SHORT TERM			POST EMPLOYMENT		EQUITY		TOTAL \$
	Salary and fees	Cash bonus	Non-monetary	Super-annuation	Retirement benefits	Shares	Options	
Henry Askin, Non-executive Chairman								
2006	75,000	-	-	6,750	-	-	-	81,750
2005	-	-	-	-	-	120,000	24,800	144,800
John Heugh, Managing Director								
2006	390,453	-	-	35,141	-	-	-	425,594
2005	54,615	-	-	4,915	-	-	155,000	214,530
Richard Faull, Executive Director								
2006	313,087	-	-	28,178	-	-	-	341,265
2005	33,077	-	-	2,977	-	-	62,000	98,054
William Dunmore, Non-executive Director								
2006	18,096	-	-	-	-	-	-	18,096
2005	-	-	-	-	-	90,000	18,600	108,600
TOTAL DIRECTORS' REMUNERATION								
2006	796,636	-	-	70,069	-	-	-	866,705
2005	87,692	-	-	7,892	-	210,000	260,400	565,984

At the date of this report, the interests of the Directors in the shares and options of Central Petroleum Limited were:

	Ordinary shares	Options (expiry 30/6/07)	Options (expiry 31/5/10)
Henry Askin	1,000,000	100,000	400,000
John Heugh	5,100,001	-	2,500,000
Richard Faull	1,400,001	-	1,000,000
William Dunmore	600,000	-	300,000

Dr Askin's holdings include 200,000 ordinary shares and 100,000 options (expiry 30/6/07) held by Askin Nominees Pty Ltd, a company in which he has an interest. Mr Faull's ordinary share holding includes 400,000 ordinary shares held by St Leonards Investments Pty Ltd, a company in which he has an interest.

OFFICERS INDEMNIFICATION

The Company paid an insurance premium in respect of Directors' and Officers' Liability Insurance for past and current officers of the consolidated entity. This insurance cover runs to after the close of the financial year.

PROCEEDINGS ON BEHALF OF COMPANY

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

NON-AUDIT SERVICES

The amounts paid or payable to the Company's auditor for non-audit services provided, during the year, by the auditor are shown at Note 14 to the Financial Statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided give the Directors reason for being satisfied that the provisions of those non-audit services did not compromise the auditor independence requirements of the Corporations Act.

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 35.

Signed in accordance with a resolution of the Board of Directors:

RW Faull - Director
Perth, 8th September 2006

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
Revenue	2	234,638	14,417	234,638	14,417
Share based employment benefits		-	(260,400)	-	(260,400)
Administrative and office expenses		(246,062)	(52,537)	(245,030)	(51,525)
Consultancy fees		(61,818)	(143,555)	(61,818)	(136,000)
Depreciation		(12,593)	(496)	(12,593)	(496)
Employee benefits		(959,866)	(436,860)	(959,866)	(436,860)
Exploration expenditure		(163,138)	(92,018)	18,350	(47,789)
Insurance expense		(21,133)	(43,960)	(21,133)	(43,960)
Legal fees		(15,689)	(44,029)	(15,689)	(44,029)
Loss on disposal of property, plant and equipment		-	(200)	-	(200)
Prospectus costs		-	(375,673)	-	(375,673)
Provision for doubtful debts		-	-	(321,514)	-
Travel and accommodation		(69,403)	(47,017)	(67,559)	(47,017)
Other operating costs		-	(25,479)	-	(19,343)
Loss before income tax	3	(1,315,064)	(1,507,807)	(1,452,214)	(1,448,875)
Income tax	4	-	-	-	-
Loss after income tax		(1,315,064)	(1,507,807)	(1,452,214)	(1,448,875)
Net loss attributable to outside equity interests		-	-	-	-
Net loss attributable to members of the parent entity	5	(1,315,064)	(1,507,807)	(1,452,214)	(1,448,875)

The accompanying notes form part of these financial statements.

BALANCE SHEET

AS AT 30 JUNE 2006

	Note	Consolidated		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
CURRENT ASSETS					
Cash and cash equivalents	6	8,372,931	408,661	8,372,929	408,661
Trade and other receivables	7	112,749	12,201	99,109	12,148
TOTAL CURRENT ASSETS		8,485,680	420,862	8,472,038	420,809
NON-CURRENT ASSETS					
Trade and other receivables	7	-	-	-	124,349
Property, plant and equipment	8	130,941	1,761	130,941	1,761
Investments in controlled entities	19	-	-	9,807,851	26,401
Exploration assets	11	9,788,782	-	-	-
Other	12	40,000	-	-	-
TOTAL NON-CURRENT ASSETS		9,959,723	1,761	9,938,792	152,511
TOTAL ASSETS		18,445,403	422,623	18,410,830	573,320
CURRENT LIABILITIES					
Trade and other payables	9	155,275	148,103	107,155	148,103
Provisions	10	52,855	26,500	52,855	26,500
TOTAL CURRENT LIABILITIES		208,130	174,603	160,010	174,603
NON-CURRENT LIABILITIES					
Provisions	10	11,627	22,200	11,627	22,200
TOTAL NON-CURRENT LIABILITIES		11,627	22,200	11,627	22,200
TOTAL LIABILITIES		219,757	196,803	171,637	196,803
NET ASSETS		18,225,646	225,820	18,239,193	376,517
EQUITY					
Issued capital	13	19,390,862	1,802,647	19,390,862	1,802,647
Share options reserve	13	1,987,075	260,400	1,987,075	260,400
Accumulated losses	5	(3,152,291)	(1,837,227)	(3,138,744)	(1,686,530)
TOTAL EQUITY		18,225,646	225,820	18,239,193	376,517

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated			
	Issued Capital	Option Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Total equity at 1 July 2004	529,797	-	(329,420)	200,377
Loss for the period	-	-	(1,247,407)	(1,247,407)
Total recognised income and expense for the year	-	-	(1,247,407)	(1,247,407)
Share issues	1,272,850	-	-	1,272,850
Total equity at 30 June 2005	1,802,647	-	(1,576,827)	225,820
Adjustment on adoption of AIFRS – Share based payments	-	260,400	(260,400)	-
Restated total equity at 30 June 2005 on adoption of AIFRS	1,802,647	260,400	(1,837,227)	225,820
Loss for the period	-	-	(1,315,064)	(1,315,064)
Total recognised income and expense for the year	-	-	(1,315,064)	(1,315,064)
Share issues	19,048,450	-	-	19,048,450
Share based payments	-	1,726,675	-	1,726,675
Share options exercised	2,250	-	-	2,250
Transaction costs	(1,462,485)	-	-	(1,462,485)
Total equity at 30 June 2006	19,390,862	1,987,075	(3,152,291)	18,225,646
	Parent Entity			
	Issued Capital	Option Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Total equity at 1 July 2004	529,797	-	(237,655)	292,142
Loss for the period	-	-	(1,188,475)	(1,188,475)
Total recognised income and expense for the year	-	-	(1,188,475)	(1,188,475)
Share issues	1,272,850	-	-	1,272,850
Total equity at 30 June 2005	1,802,647	-	(1,426,130)	376,517
Adjustment on adoption of AIFRS – Share based payments	-	260,400	(260,400)	-
Restated total equity at 30 June 2005 after adoption of AIFRS	1,802,647	260,400	(1,686,530)	376,517
Loss for the period	-	-	(1,452,214)	(1,452,214)
Total recognised income and expense for the year	-	-	(1,452,214)	(1,452,214)
Share issues	19,048,450	-	-	19,048,450
Share based payments	-	1,726,675	-	1,726,675
Share options exercised	2,250	-	-	2,250
Transaction costs	(1,462,485)	-	-	(1,462,485)
Total equity at 30 June 2006	19,390,862	1,987,075	(3,138,744)	18,239,193

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2006

Note	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash flows from operating Activities				
Cash management trust distributions	142,349	14,417	142,349	14,417
Interest	18,444	-	18,444	-
Payments to suppliers and employees	(1,425,111)	(425,758)	(1,389,089)	(411,721)
Exploration expenditure	(161,141)	-	-	-
Net cash inflow/(outflow) from operating activities	18(a) (1,425,459)	(411,341)	(1,228,296)	(397,304)
Cash flows from investing activities				
Purchase of plant and equipment	(141,773)	(926)	(141,773)	(926)
Exploration expenditure	(412,000)	(82,036)	-	(44,192)
Purchase of shares in controlled entities	-	-	(412,000)	-
Loans to controlled entities	-	-	(197,165)	(51,881)
Net cash inflow/(outflow) from investing activities	(553,773)	(82,962)	(750,938)	(96,999)
Cash flows from financing activities				
Proceeds from issue of shares	10,850,700	1,062,850	10,850,700	1,062,850
Share issue and listing costs	(906,385)	(432,670)	(906,384)	(432,670)
Other loans/(loan repayments)	(813)	-	(813)	-
Net cash inflow from financing activities	9,943,503	630,180	9,943,503	630,180
Net increase in cash and cash equivalents held	7,964,270	135,877	7,964,268	135,877
Cash and cash equivalents at the beginning of the financial year	408,661	272,784	408,661	272,784
Cash and cash equivalents at the end of the financial year	6 8,372,931	408,661	8,372,929	408,661

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, and the Corporations Act 2001. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRSs). Compliance with AIFRSs ensures that the financial report, comprising the financial statements and notes of the consolidated entity, comply with IRFSs.

These financial statements are the first statements to be prepared in accordance with AIFRSs. AASB1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements. Until 30 June 2005, the financial statements of the consolidated entity had been prepared in accordance with the Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRSs. In the 2006 financial statements, comparative figures for 2005 have been restated to reflect differences except for the adoption of AASB132 *Financial Instruments: Disclosure and Presentation* and AASB139 *Financial Instruments: Recognition and Measurement* and AASB3 *Business Combinations*. The consolidated entity has adopted the exemption under AASB1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply AASB132, 139, and 3. Reconciliations and descriptions of the effect of the transition from AGAAP to AIFRS are given in Note 24.

Except for the revised AASB2 *Share-Based Payments* (issued March 2006), Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard	Application date for consolidated entity
2005-1	AASB139 <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-2	AASB1 <i>First time adoption of AIFRS</i> , AASB139 <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-6	AASB3 <i>Business Combinations</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-10	AASB132 <i>Financial Instruments: Disclosure and Presentation</i> , AASB101 <i>Presentation of Financial Statements</i> , AASB114 <i>Segment Reporting</i> , AASB117 <i>Leases</i> , AASB133 <i>Earnings per Share</i> , AASB139 <i>Financial Instruments: Recognition and Measurement</i> , AASB1 <i>First-time adoption of AIFRS</i> .	No change to accounting policy required. Therefore no impact	1 January 2007	1 July 2007
New standard	AASB7 <i>Financial Instruments: Disclosures</i>	No change to accounting policy required. Therefore no impact	1 January 2007	1 July 2007

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

current assets. Cost is based on fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

(a) Principles of consolidation

The consolidated financial report combines the financial report of the Company, being the parent entity, and its controlled entities ("the consolidated entity"). Where an entity either began or ceased to be controlled during the financial year, the results are included only from the date control commenced or up to the date control ceased. The balances and effects of transactions between controlled entities included in the consolidated financial report have been eliminated.

(b) Property, plant and equipment

Each class of property, plant and equipment is carried at fair value less any applicable accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts. The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. 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 consolidated entity 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.

Depreciation

Depreciation of plant and equipment is calculated on a reducing balance basis so as to write off the net costs of each asset over the expected useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. 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 carrying amount. These are included in the income statement.

(c) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of an asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(d) Leases

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the period in which they are incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

(e) Exploration expenditure

Exploration and evaluation costs are expensed as incurred. Acquisition costs are accumulated in respect of each separate area of interest. Acquisition costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

(f) Income tax

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

Deferred tax is accounted for using the balance sheet 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 credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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.

(g) Trade and other receivables

Receivables are recognised and carried at the original amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence the consolidated entity will not collect the debts. Bad debts are written off when identified.

(h) Trade and other payables

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

(i) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

(j) Share-based payments

The Company provides benefits to employees (including Directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for options ("equity-settled transactions"). The Company has also issued options to suppliers. The cost of these equity settled transactions with employees and suppliers is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using the Black-Scholes model. In valuing equity-settled transactions as they relate to employees, no account has been taken of any performance conditions, other than conditions linked to the price of shares of Central Petroleum Limited if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the consolidated entity's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

(k) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with a maturity of three months or less. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding overdrafts.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of 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 an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

(m) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(n) Accounting judgements, estimates, and assumptions

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data. The Directors have used the Black-Scholes model to evaluate options, which requires estimates and judgements to quantify the inputs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
2. OPERATING REVENUE				
Cash management trust distributions	163,052	14,417	163,052	14,417
Interest	71,586	-	71,586	-
Total revenue	<u>234,638</u>	<u>14,417</u>	<u>234,638</u>	<u>14,417</u>
3. LOSS BEFORE INCOME TAX				
Loss before income tax has been determined after:-				
Expenses/(Gains)				
Depreciation	4,656	496	12,594	496
Exploration	163,138	92,018	(18,350)	47,789
Loss on write off of plant and equipment	-	200	-	200
Shares issued to Directors	-	210,000	-	210,000
Share-based payments	-	260,400	-	260,400
	<u>-</u>	<u>260,400</u>	<u>-</u>	<u>260,400</u>
4. INCOME TAX				
The consolidated entity is in a tax loss position and is not yet in a situation whereby it can satisfy AASB112 for the recognition of its tax losses. Accordingly, no current or deferred income tax benefits have yet been brought to account.				
Income tax expense				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Numerical reconciliation of income tax expense and prima facie tax benefit				
Loss from ordinary activities				
before income tax expense	(1,315,064)	(1,507,807)	(1,452,214)	(1,448,875)
Prima facie tax benefit at 30%	394,520	452,342	435,664	434,663
Non-deductible items	(369,799)	(80,659)	(466,252)	(95,077)
Share based payments	-	(78,120)	-	(78,120)
Allowable items	50,616	6,868	50,567	6,868
Non-taxable item	3,172	-	3,172	-
Adjustments on acquisitions	10,420	-	-	-
Benefit of tax loss not recognised	(88,929)	(300,431)	(23,151)	(268,334)
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax assets				
Temporary differences	7,118	1,200	7,118	1,200
Items charged to equity	350,996	-	350,996	-
Capital items	71,411	97,228	71,411	97,228
Undeducted losses	448,683	359,754	337,414	314,264
Deferred tax assets not recognised	<u>878,208</u>	<u>458,182</u>	<u>766,939</u>	<u>412,692</u>
Deferred tax liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

5. ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial year	(1,837,227)	(329,420)	(1,686,530)	(237,655)
Net loss for the financial year	(1,315,064)	(1,507,807)	(1,452,214)	(1,448,875)
Accumulated losses at the end of the financial year	(3,152,291)	(1,837,227)	(3,138,744)	(1,686,530)

6. CASH AND CASH EQUIVALENTS

Cash at bank	1,372,931	408,661	1,372,929	408,661
Cash on short term deposit	7,000,000	-	7,000,000	-
	8,372,931	408,661	8,372,929	408,661

7. TRADE AND OTHER RECEIVABLES

<u>Current</u>				
Interest and trust distributions	73,846	-	73,846	-
GST input tax credits	36,903	12,201	23,263	12,148
Prepayments	2,000	-	2,000	-
	112,749	12,201	99,109	12,148
<u>Non-current</u>				
Loans to controlled entities	-	-	-	124,349

8. PROPERTY, PLANT AND EQUIPMENT

	Lease improvements	Plant and equipment	Total
Year ended 30 June 2006			
At 1 July 2005, gross carrying amount	-	2,216	2,216
Accumulated depreciation	-	(455)	(455)
At 1 July 2005, net of accumulated depreciation	-	1,761	1,761
Additions	76,258	65,515	141,773
Write offs	-	-	-
Depreciation charge for the year	(8,344)	(4,249)	(12,593)
At 30 June 2006, net of accumulated depreciation	67,914	63,027	130,941
Gross carrying amount	76,258	67,731	143,989
Accumulated depreciation	(8,344)	(4,704)	(13,048)
At 30 June 2006, net of accumulated depreciation	67,914	63,027	130,941
Year ended 30 June 2005			
At 1 July 2004, gross carrying amount	-	1,586	1,586
Accumulated depreciation	-	(55)	(55)
At 1 July 2004, net of accumulated depreciation	-	1,531	1,531
Additions	-	926	926
Write offs	-	(200)	(200)
Depreciation charge for the year	-	(496)	(496)
At 30 June 2005, net of accumulated depreciation	-	1,761	1,761

Estimated useful life of lease improvements is for the term of the lease.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
9. TRADE AND OTHER PAYABLES				
Trade payables	97,531	119,457	49,411	119,457
Tax liabilities	57,744	27,833	57,744	27,833
Borrowings	-	813	-	813
	<u>155,275</u>	<u>148,103</u>	<u>107,155</u>	<u>148,103</u>
Trade payables are usually non-interest bearing provided payment is made within the terms of credit.				
10. PROVISIONS				
<u>Current</u>				
Employee entitlements	<u>52,855</u>	<u>26,500</u>	<u>52,855</u>	<u>26,500</u>
<u>Non-current</u>				
Employee entitlements	<u>11,627</u>	<u>22,200</u>	<u>11,627</u>	<u>22,200</u>
11. EXPLORATION ASSETS				
Excess of fair value of tenements in controlled entities over the carrying value.	<u>9,788,782</u>	<u>-</u>	<u>-</u>	<u>-</u>
12. OTHER				
Security bonds on exploration permits	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
13. ISSUED CAPITAL				
	#	#	\$	\$
Issued capital:				
Ordinary shares	<u>130,860,252</u>	<u>35,228,334</u>	<u>19,390,862</u>	<u>1,802,647</u>
<i>Movements in issued capital:</i>				
Balance at beginning of year	35,228,334		1,802,647	
4/8-9/9/05 Placements at \$0.15 per share	1,513,668		227,050	
20/2/06 Prospectus subscriptions at \$0.20 cents per share	53,107,000		10,621,400	
Capital raising costs	-		(1,462,485)	
21-22/2/06 Vendors at \$0.20 cents per share	41,000,000		8,200,000	
9-26/4/06 Exercise of options at \$0.20 per share	11,250		2,250	
Balance at end of year	<u>130,860,252</u>		<u>19,390,862</u>	
<i>Movements in options to subscribe for fully paid ordinary shares exercisable at \$0.20 on or before 30 June 2007:</i>				
Balance at beginning of year	12,139,167		-	
Issued during the year	27,435,334		1,125	
Exercised during the year	(11,250)		-	
Balance at end of year	<u>39,563,251</u>		<u>1,125</u>	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

13. ISSUED CAPITAL (CONTINUED)

	#	\$
<i>Movements in options to subscribe for fully paid ordinary shares exercisable at \$0.20 on or before 31 May 2010:</i>		
Balance at beginning of year	4,200,000	260,400
Issued during the year	17,050,000	1,142,350
Exercised during the year	-	-
Balance at end of year	<u>21,250,000</u>	<u>1,402,750</u>
<i>Movements in options to subscribe for fully paid ordinary shares exercisable at \$0.20 on or before 20 February 2011:</i>		
Balance at beginning of year	-	-
Issued during the year	8,000,000	583,200
Exercised during the year	-	-
Balance at end of year	<u>8,000,000</u>	<u>583,200</u>
Total	<u>67,813,251</u>	<u>1,987,075</u>

14. AUDITOR'S REMUNERATION

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Audit	11,899	4,394	11,899	4,394
Other services	8,875	13,275	8,875	13,275
	<u>20,774</u>	<u>17,669</u>	<u>20,774</u>	<u>17,669</u>

Other services relate to an investigating accountant's report and accounting advice.

15. EARNINGS PER SHARE

Basic earnings per share (EPS) is determined by dividing the consolidated entity's operating profit or loss after income tax by the weighted average number of shares on issue during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the numbers used in determining Basic EPS to take into account the after tax effect of interest and other costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	2006 Cents per share	2005 Cents per share
Basic loss per share	(1.88)	(5.20)
Diluted loss per share	(1.88)	(5.20)
	\$	\$
Net loss used in calculating basic and diluted losses per share	(1,315,065)	(1,507,807)
	#	#
Weighted average number of ordinary shares on issue during the year used in calculating basic loss per share	70,093,453	28,970,389

The basic loss per share and diluted loss per share are the same because the outstanding options are not considered dilutive.

16. DIRECTORS' AND EXECUTIVES' DISCLOSURES

The key management personnel during the financial year were:

HJ Askin (Non-executive Chairman)
JP Heugh (Managing Director)
RW Faull (Executive Director)
WJ Dunmore (Non-executive Director)

There were no changes in appointments after the reporting date.

Remuneration Policy

The remuneration policy of the Company is to pay its Directors and executives amounts in line with employment market conditions relevant in the oil exploration industry.

Directors and executives are also entitled to participate in proposed employee share and option arrangements. The Directors and executives receive a superannuation guarantee contribution required by law, which is currently 9% of earnings, and do not receive any other retirement benefits. All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Shares given to Directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using either the Black-Scholes or binomial methodologies.

The Company currently has no performance based remuneration component built into Director and executive remuneration packages although the Executive Service Agreements with the executive Directors allow for performance-based bonuses over and above the salaries and, in determining the extent of the bonuses, the Company shall take into consideration key performance indicators, which have not yet been set.

Service Agreements

Remuneration and other terms of employment for the Executive Directors and the Non-executive Directors are formalised in service agreements. An overview of the service agreements is set out following.

Non-executive Directors

The Company has agreed to terms of engagement with Dr Henry Askin and Mr William Dunmore whereby they are appointed as Non-executive Directors of the Company. The terms of appointment are subject to the Company's Constitution. The terms of engagement also require the Company to maintain an appropriate level of Directors and Officers' Liability Insurance and provide rights relating to indemnity, insurance, and access to documents.

Executive Directors

The Company has entered into an Executive Services Agreement with Mr John Heugh whereby he is employed as the Managing Director. The term of employment is for four years starting on 2 March 2006. His base salary is \$185,000 per annum plus statutory superannuation plus director's fee of \$40,000 per annum. The terms of employment also require the Company to maintain an appropriate level of Directors and Officers' Liability Insurance and provide rights relating to indemnity, insurance, and access to documents.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

16. DIRECTORS' AND EXECUTIVES' DISCLOSURES (CONTINUED)

The Company has entered into an Executive Services Agreement with Mr Richard Faull whereby he is employed as an executive director. The term of employment is for four years starting on 2 March 2006. His base salary is \$135,000 per annum plus statutory superannuation plus director's fee of \$40,000 per annum. The terms of employment also require the Company to maintain an appropriate level of Directors and Officers' Liability Insurance and provide rights relating to indemnity, insurance, and access to documents.

The aggregate compensation of the key management personnel is set out below.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Short term benefits	796,636	87,692	796,636	87,692
Post employment benefits	70,069	7,892	70,069	7,892
Share-based payments	-	470,400	-	470,400
	866,705	565,984	866,705	565,984

The compensation of the key management personnel is set out below.

	SHORT TERM			POST EMPLOYMENT		EQUITY		TOTAL
	Salary and fees	Cash bonus	Non-monetary	Super-annuation	Retirement benefits	Shares	Options	
Henry Askin, Non-executive Chairman								
2006	75,000	-	-	6,750	-	-	-	81,750
2005	-	-	-	-	-	120,000	24,800	144,800
John Heugh, Managing Director								
2006	390,453	-	-	35,141	-	-	-	425,594
2005	54,615	-	-	4,915	-	-	155,000	214,530
Richard Faull, Executive Director								
2006	313,087	-	-	28,178	-	-	-	341,265
2005	33,077	-	-	2,977	-	-	62,000	98,054
William Dunmore, Non-executive Director								
2006	18,096	-	-	-	-	-	-	18,096
2005	-	-	-	-	-	90,000	18,600	108,600
TOTAL DIRECTORS' REMUNERATION								
2006	796,636	-	-	70,069	-	-	-	866,705
2005	87,692	-	-	7,892	-	210,000	260,400	565,984

Option (expiry 30/6/2007) holdings of key management personnel.

	Balance at 1/7/05	Granted as remuneration	Exercised	Net change other	Balance at 30/6/06
HJ Askin	-	-	-	100,000	100,000
JP Heugh	-	-	-	-	-
RW Faull	-	-	-	-	-
WJ Dunmore	-	-	-	-	-
Total	-	-	-	100,000	100,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

Option (expiry 31/5/2010) holdings of key management personnel.

	Balance at 1/7/05	Granted as remuneration	Exercised	Net change other	Balance at 30/6/06
HJ Askin	400,000	-	-	-	400,000
JP Heugh	2,500,000	-	-	-	2,500,000
RW Faull	1,000,000	-	-	-	1,000,000
WJ Dunmore	300,000	-	-	-	300,000
Total	4,200,000	-	-	-	4,200,000

Shareholdings of key management personnel.

	Balance at 1/7/05	Granted as remuneration	On exercise of options	Net change other	Balance at 30/6/06
HJ Askin	800,000	-	-	200,000	1,000,000
JP Heugh	5,100,001	-	-	-	5,100,001
RW Faull	1,400,001	-	-	-	1,400,001
WJ Dunmore	600,000	-	-	-	600,000
Total	7,900,002	-	-	200,000	8,100,002

17. STATEMENT OF OPERATIONS BY SEGMENTS

The operations of the consolidated entity involve a single industry segment being that of petroleum exploration in Australia.

Consolidated		Parent Entity	
2006	2005	2006	2005
\$	\$	\$	\$

18. CASH FLOWS INFORMATION

(a) Reconciliation of Cash Flows from Operating Activities with the loss after income tax

Loss after income tax	(1,315,064)	(1,505,807)	(1,452,214)	(1,448,875)
<i>Adjustments for:</i>				
Prospectus and listing costs	-	375,673	-	375,673
Exploration costs	-	92,018	-	47,789
Loss on write off of asset	-	200	-	200
Shares issued to Directors	-	210,000	-	210,000
Depreciation	12,593	496	12,593	496
Provision for doubtful debts	-	-	321,514	-
Share-based payments	-	260,400	-	260,400
Consulting fees	1,125	-	1,125	-
Entities' assets acquired	(47,332)	-	-	-
<i>Changes in assets and liabilities relating to operating activities:</i>				
(Increase)/Decrease in receivables				
/prepayments	(100,547)	(2,352)	(86,961)	(3,018)
Increase/(Decrease) in creditors	7,985	111,331	(40,135)	111,331
Increase/(Decrease) in provisions	15,781	48,700	15,781	48,700
Net cash (outflow) from operating activities	(1,425,459)	(411,341)	(1,228,296)	(397,304)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

18. CASH FLOWS INFORMATION (CONTINUED)

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
(b) Acquisition of entities				
During the year all of the issued capital of Helium Australia Pty Ltd, Ordiv Petroleum Pty Ltd, and Frontier Oil & Gas Pty Ltd were acquired.				
Purchase consideration	9,781,450	-	9,781,450	-
Cash amount	412,000	-	412,000	-
Assets and liabilities held at acquisition date				
Cash and cash equivalents	2	-	-	-
Receivables	734	-	-	-
Security bonds	40,000	-	-	-
Payables	(48,068)	-	-	-
Net liabilities acquired	(7,332)	-	-	-
(c) Non-cash financing and investing activities				
Share issues	8,200,000	210,000	8,200,000	210,000
Option issues	1,726,675	260,400	1,726,675	260,400
	9,926,675	470,400	9,926,675	470,400

19. INVESTMENT IN CONTROLLED ENTITIES

Details of investments in the ordinary share capital of controlled entities is as follows:

	Place of Incorporation	Equity Holding		Cost of Parent Entity's Investment	
		2006	2005	2006	2005
		%	%	\$	\$
<u>Parent Entity</u>					
Central Petroleum Limited	Western Australia			-	-
<u>Controlled Entities</u>					
Merlin Energy Pty Ltd	Western Australia	100	100	26,400	26,400
Merlin West Pty Ltd	Western Australia	100	100	1	1
Helium Australia Pty Ltd	Victoria	100	-	4,098,250	-
Ordiv Petroleum Pty Ltd	Western Australia	100	-	710,400	-
Frontier Oil & Gas Pty Ltd	Western Australia	100	-	4,972,800	-
				9,807,851	26,401

Ordiv Petroleum Pty Ltd and Frontier Old & Gas Pty Ltd were acquired on 21 February 2006. Helium Australia Pty Ltd was acquired on 22 February 2006.

20. FINANCIAL INSTRUMENTS

The consolidated entity's principal financial instruments are cash and short-term deposits. The consolidated entity also has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The consolidated entity's risk management objective with regard to financial instruments and other financial assets include gaining interest income and the policy is to do so with a minimum of risk.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

20. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit Risk

The credit risk on financial assets of the consolidated entity which have been recognised in the balance sheet is generally the carrying amount, net of any provision for doubtful debts. The consolidated entity trades only with recognised banks and it is considered that the credit risk is minimal. There are no significant concentrations of credit risk within the consolidated entity.

(b) Fair Values

The carrying amounts of cash, cash equivalents, financial assets and financial liabilities, approximate their fair values.

(c) Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating interest rate		Fixed interest		Non-interest bearing		Total	
	2006 %	2005 %	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$
Financial Assets:										
Cash	5.76	4.57	1,372,929	408,661	7,000,000	-	2	-	8,372,931	408,661
Receivables	0.00	0.00	-	-	-	-	110,749	12,201	110,749	12,201
Securities	0.00	0.00	-	-	-	-	40,000	-	40,000	-
			1,372,929	408,661	7,000,000	-	150,751	12,201	8,523,680	420,862
Financial Liabilities:										
Payables	0.00	0.00	-	-	-	-	155,275	148,103	155,275	148,103
Provisions	0.00	0.00	-	-	-	-	64,482	48,700	64,482	48,700
			-	-	-	-	219,757	196,803	219,757	196,803
Net Financial Assets/ (Liabilities)			1,372,929	408,661	7,000,000	-	(69,006)	(184,602)	8,303,923	224,059

Reconciliation of Net Financial Assets with Net Assets

Net financial assets	8,303,923	224,059
Non-financial assets		
- Prepayments	2,000	-
- Plant and equipment	130,941	1,761
- Exploration assets	9,788,782	-
Net assets	18,225,646	225,820

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

21. CONTINGENCIES AND COMMITMENTS

(a) Exploration contingencies and commitments

The consolidated entity has exploration expenditure commitments on EPs 82, 93, 112, 118, and 125.

Year	Commitments \$
2006/07	1,600,000
2007/08	3,500,000
2008/09	4,395,000
2009/10	5,395,000
2010/11	2,650,000
	<u>17,540,000</u>

The consolidated entity has contingent exploration expenditure commitments on EPAs 92, 111, 115, 120, 124, 129-133, and PEL 77, all of which had not been granted at balance date.

Year	Commitments \$
1	1,295,000
2	5,275,000
3	16,760,000
4	9,220,000
5	12,815,000
	<u>45,365,000</u>

In the petroleum industry it is common practice for entities to farm-out, transfer, or sell a portion of their rights to third parties or relinquish them altogether and, as a result, obligations may be reduced or extinguished. A portion of EP 93 has been farmed out.

(b) Lease commitments

The consolidated entity has a non-cancellable operating lease for office premises. The lease expires on 28 February 2009 with an option to extend the lease for a further three years.

	Consolidated		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
Non-cancellable operating lease payments				
Not longer than 1 year	69,524	-	69,524	-
Longer than 1 year and not longer than 5 years	115,873	-	115,873	-
Longer than 5 years	-	-	-	-
	<u>185,397</u>	-	<u>185,397</u>	-

22. RELATED PARTY DISCLOSURES

Details of the equity interests in controlled entities are disclosed in Note 19.

Details of key management personnel compensation are disclosed in Note 16.

Details of the equity holdings of key management personnel are disclosed in Note 16.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

23. SHARE-BASED PAYMENTS

The value of share-based payment transactions were calculated by using the Black-Scholes model.

The following share-based payments were made during the financial year:

Option series (by expiry date)	#	Grant date	Exercise price \$	Fair value at grant date \$
20/2/2011	8,000,000	21/2/2006	0.20	0.0729
31/5/2010	8,750,000	22/2/2006	0.20	0.0670
31/5/2010	8,300,000	23/2/2006	0.20	0.0670
30/6/2007	125,000	20/3/2006	0.20	0.0090

Inputs to the model	Option series (by expiry date)		
	30/6/2007	31/5/2010	20/2/2011
Deemed share price on grant date	\$0.15	\$0.20	\$0.20
Exercise price	\$0.20	\$0.20	\$0.20
Expected volatility	30%	30%	30%
Dividend yield	-	-	-
Risk-free interest rate	5.25%	5.25%	5.25%

Movements of share-based payments during the year for which options were issued:

	2006		2005	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at the beginning of the year	4,200,000	0.20	-	-
Granted during the year	25,175,000	0.20	4,200,000	0.20
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Balance at the end of year	29,375,000	0.20	4,200,000	0.20

24. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

These financial statements are the first statements to be prepared in accordance with AIFRSs. AASB1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Until 30 June 2005, the financial statements of the consolidated entity had been prepared in accordance with the Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRSs. In the 2006 financial statements, comparative figures for 2005 have been restated to reflect differences. This note shows the reconciliations and descriptions of the effect of the transition from AGAAP to AIFRS.

Under AASB2 *Share Based Payments*, the consolidated entity has recognised the fair value of options granted to Directors as remuneration. Share-based payment costs were not recognised under AGAAP.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

(a) Reconciliation of equity at 30 June 2005 as presented under AGAAP and that under AIFRS

	Consolidated			Parent Entity		
	AGAAP \$	AIFRS Impact \$	AIFRS \$	AGAAP \$	AIFRS Impact \$	AIFRS \$
CURRENT ASSETS						
Cash and cash equivalents	408,661	-	408,661	408,661	-	408,661
Trade and other receivables	12,201	-	12,201	12,148	-	12,148
TOTAL CURRENT ASSETS	420,862	-	420,862	420,809	-	420,809
NON-CURRENT ASSETS						
Receivables	-	-	-	124,349	-	124,349
Property, plant and equipment	1,761	-	1,761	1,761	-	1,761
Investment in controlled entities	-	-	-	26,401	-	26,401
TOTAL NON-CURRENT ASSETS	1,761	-	1,761	152,511	-	152,511
TOTAL ASSETS	422,623	-	422,623	573,320	-	573,320
CURRENT LIABILITIES						
Trade and other payables	148,103	-	148,103	148,103	-	148,103
Provisions	26,500	-	26,500	26,500	-	26,500
TOTAL CURRENT LIABILITIES	174,603	-	174,603	174,603	-	174,603
NON-CURRENT LIABILITIES						
Provisions	22,200	-	22,200	22,200	-	22,200
TOTAL NON-CURRENT LIABILITIES	22,200	-	22,200	22,200	-	22,200
TOTAL LIABILITIES	196,803	-	196,803	196,803	-	196,803
NET ASSETS	225,820	-	225,820	376,517	-	376,517
EQUITY						
Issued capital	1,802,647	-	1,802,647	1,802,647	-	1,802,647
Share options reserve	-	260,400	260,400	-	260,400	260,400
Accumulated losses	(1,576,827)	(260,400)	(1,837,227)	(1,426,130)	(260,400)	(1,686,530)
TOTAL EQUITY	225,820	-	225,820	376,517	-	376,517

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

24. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) Reconciliation of net loss for the year ended 30 June 2005 as presented under AGAAP and that under AIFRS

	AGAAP \$	Consolidated AIFRS Impact \$	AIFRS \$	AGAAP \$	Parent Entity AIFRS Impact \$	AIFRS \$
Revenue	14,417	-	14,417	14,417	-	14,417
Administration	(52,537)	-	(52,537)	(51,525)	-	(51,525)
Consulting	(143,555)	-	(143,555)	(136,000)	-	(136,000)
Depreciation	(496)	-	(496)	(496)	-	(496)
Employee benefits	(436,860)	(260,400)	(697,260)	(436,860)	(260,400)	(697,260)
Exploration costs	(92,018)	-	(92,018)	(47,789)	-	(47,789)
Insurance	(43,960)	-	(43,960)	(43,960)	-	(43,960)
Legal fees	(44,029)	-	(44,029)	(44,029)	-	(44,029)
Loss on disposal of property, plant and equipment	(200)	-	(200)	(200)	-	(200)
Prospectus costs	(375,673)	-	(375,673)	(375,673)	-	(375,673)
Travel and accommodation	(47,017)	-	(47,017)	(47,017)	-	(47,017)
Other	(25,479)	-	(25,479)	(19,343)	-	(19,343)
Loss before income tax	(1,247,407)	(260,400)	(1,507,807)	(1,188,475)	(260,400)	(1,448,875)
Income tax	-	-	-	-	-	-
Loss after income tax	(1,247,407)	(260,400)	(1,507,807)	(1,188,475)	(260,400)	(1,448,875)
Net loss attributable to outside interests	-	-	-	-	-	-
Net loss attributable to members of the parent entity	(1,247,407)	(260,400)	(1,507,807)	(1,188,475)	(260,400)	(1,448,875)

25. SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may effect the operations of the consolidated entity, the results of those operations or the consolidated entity's state of affairs in future financial years not otherwise disclosed in this report or the financial statements.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Central Petroleum Limited, I state that –

1. In the opinion of the Directors –
 - (a) the financial statements and notes of the Company and the consolidated entity are in accordance with the Corporations Act 2001, including –
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
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 year ending 30 June 2006.

On behalf of the Board

RW Faull - Director
Perth, 8th September 2006

Stantons International

ABN 41 103 088 697

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WEST PERTH WA 6005, AUSTRALIA
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INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF CENTRAL PETROLEUM LIMITED

SCOPE

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity and statement of cash-flows, accompanying notes to the financial statements, and the directors' declaration for Central Petroleum Limited (the Company) and the consolidated entity for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during the year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

AUDITOR'S REPORT

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

INDEPENDENCE

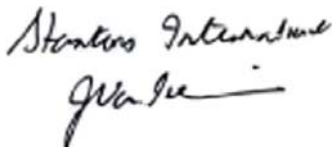
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

AUDIT OPINION

In our opinion, the financial report of Central Petroleum Limited is in accordance with:

- a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

STANTONS INTERNATIONAL (Authorised Audit Company)



J P Van Dieren
Director

Perth, Western Australia
8 September 2006

AUDITOR'S DECLARATION OF INDEPENDENCE

Stantons International

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8 September 2006

Board of Directors
Central Petroleum Limited
Suite 3 Level 4 South Shore Centre
85 The Esplanade
SOUTH PERTH WA 6151

Dear Sirs

RE: CENTRAL PETROLEUM LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Central Petroleum Limited.

As Audit Director for the audit of the financial statements of Central Petroleum Limited for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

STANTONS INTERNATIONAL
(Authorised Audit Company)



John Van Dieren
Director

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 August 2006.

(a) Distribution of equity securities

The number of holders, by size of holding, in each class of quoted security are:

	Ordinary shares		Options (expiry 30/6/07)	
	Holders	Shares	Holders	Options
1 – 1,000	5	1,102	1	1,000
1,001 – 5,000	32	125,769	150	747,917
5,001 – 10,000	192	1,832,991	103	879,567
10,001 – 100,000	485	19,740,444	277	8,737,193
100,001 and over	100	109,158,946	60	29,197,574
Totals	814	130,860,252	591	39,563,251
Unmarketable parcels	28	82,871	340	2,760,084

(b) Twenty largest holders of quoted securities.

	Fully paid shares	
	Number	Percentage
Equity Oil Pty Ltd	18,112,500	13.84
Uris Holdings Inc	10,000,000	7.64
ANZ Nominees Limited	6,100,000	4.66
Raymond Douglas Shaw and Rita Barbara Jones	5,250,000	4.01
John Phillip Heugh	5,100,001	3.90
RAB Special Situations (Master) Fund Limited	5,000,000	3.82
Roc-Hin Pty Ltd	3,600,000	2.75
Somnus Pty Ltd	3,500,000	2.67
Alcardo Investments Limited	3,218,644	2.46
National Nominees Limited	3,175,000	2.43
Peter Preston Andrews and Kelly Andrews	2,937,500	2.24
Westpac Custodian Nominees Limited	2,783,000	2.13
Richard Maltman	2,350,000	1.80
Camille Elizabeth Collins	2,187,500	1.67
Palmhurst Pty Ltd	2,187,500	1.67
Rockmaster Pty Ltd	1,750,000	1.34
Fleurieu Mines NL	1,460,000	1.12
Michael Francis Middleton	1,445,863	1.10
WHI Securities Pty Ltd	1,445,000	1.10
Richard Waddy Faull	1,000,001	0.76
Total	82,602,509	63.11

ASX ADDITIONAL INFORMATION

	Options (expiry 30/6/07)	
	Number	Percentage
Uris Holdings Inc	5,000,000	12.64
ANZ Nominees Limited	3,717,921	9.40
RAB Special Situations (Master) Fund Limited	2,500,000	6.32
National Nominees Limited	1,437,500	3.63
Westpac Custodian Nominees Limited	1,253,750	3.17
Mark Dennis Stephen Bass	800,000	2.02
Alcardo Investments Limited	750,000	1.90
Accelerated Farm-ins Australia Pty Ltd	650,000	1.64
Robert Malcolm Campbell and Maria Josepha Campbell	600,000	1.52
Camsport Pty Ltd	552,500	1.40
Tiaf Holdings Pty Ltd	533,333	1.35
Linda Jane Cutler and Denis Ray Den Ouden	500,000	1.26
Martin Place Securities Nominees Pty Ltd	500,000	1.26
Simon David Steininger	497,500	1.26
Hampel Holdings (Aust) Pty Ltd	496,667	1.26
John Roy McGregor	475,000	1.20
Denzil John Griffiths	400,000	1.01
Roc-Hin Pty Ltd	400,000	1.01
Graham Cameron	381,228	0.96
HSBC Custody Nominees (Australia) Limited	370,750	0.94
Total	21,816,149	55.15

(c) Interests in mining tenements

Tenement	Location	Percentage held
EP82	Amadeus Basin NT	100
EPA92	Wiso Basin NT	85
EP93	Pedirka Basin NT	85
EPA111	Amadeus Basin NT	100
EP112	Amadeus Basin NT	100
EPA115	Amadeus Basin NT	100
EP118	Amadeus Basin NT	100
EPA120	Amadeus Basin NT	100
EPA124	Amadeus Basin NT	100
EP125	Amadeus Basin NT	100
EPA129	Wiso Basin NT	100
EPA130	Pedirka Basin NT	100
EPA131	Pedirka Basin NT	100
EPA132	Georgina Basin NT	100
EPA133	Amadeus Basin NT	100
EPA137	Amadeus Basin NT	100
PELA77	Pedirka Basin SA	85

(d) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at meetings of shareholders or classes of shareholders:

- each shareholder entitled to vote may vote in person or by proxy, attorney or representative of a shareholder;
- on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- on a poll, every person present who is a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for they share, but in respect of partly paid shares, shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those shares (excluding amounts credited).

Introduction

The Company is committed to the principles of good corporate governance and high ethical standards in business as articulated by the ASX Corporate Governance Council (“the ASXCGC”). The Company seeks to follow the best practice recommendations for listed companies to the extent that it is practicable. In cases where the Company determines it would be inappropriate to follow the principles because of its circumstances, the Company will provide reasons for not doing so in its Annual Report as contemplated by the ASXCGC.

ASX Listing Rules require listed companies to disclose the extent to which they have complied with the ‘Best Practice Recommendations’ of the ASXCGC. Set out below are the principal corporate governance practices of the Company. Any instances of non-compliance with the recommendations and reasons for such variance are summarised at the end of this document.

Role of the Board of Directors and Management

The Board of Directors guides and monitors the business and affairs of the Company on behalf of its Shareholders, by whom the Directors are elected and to whom they are accountable.

The Board’s primary role is the protection and enhancement of long-term Shareholder value. The Board is responsible for the overall corporate governance of the Company, including engaging with management in the development of strategic and business plans, preparation of annual budgets and establishment of goals for management and monitoring the achievement of those goals on a regular basis. Management will report to the Board and execute the directives of the Board.

The Board is also responsible for:

- reviewing the performance of the Managing Director and senior management;
- planning the development, retention and succession of the management team;
- reviewing and ratifying systems of risk management and internal compliance, including approving and monitoring the policies and procedures relating to occupational health and safety and the environment;
- approving and monitoring financial and other reporting, including the progress of major capital expenditure and capital management;
- approving and monitoring acquisitions and divestitures; and
- preparing, implementing and monitoring policies to ensure that all major developments affecting the financial position and state of affairs of the Company and any subsidiaries are announced to ASX in strict accordance with the Listing Rules.

The Board has also established a framework for the management of the Company, including a system of internal control and business risk management and the establishment of appropriate ethical standards.

The Board will conduct annual reviews of its processes to ensure that it is able to carry out its functions effectively and in an efficient manner.

Structure and composition of the Board

The Board consists of four Directors – two Executive Directors (the Managing Director and the Finance Director) and two non-Executive Independent Directors. The two non-executive Directors are assessed as being independent Directors. It is the intention of the Company to appoint a third non-executive director as the Company grows after an appropriate level of potential discovery success may be achieved, thereby complying with the recommendation that a majority of the Board should be independent. The Chairman is a non-executive, independent director and there is a clear division of responsibility between the Chairman and the Managing Director. The Directors bring a broad range of relevant expertise, both nationally and internationally, to the Board.

CORPORATE GOVERNANCE STATEMENT

All non-Executive Directors have no business or other relationship, which could compromise their independence. Directors are required to keep the Board advised of any interests that could potentially create conflict with those of the Company.

The non-Executive Directors and any Executive Directors other than the Managing Director under the Constitution of the Company are obliged to present one third of their company for retirement and potential re-election at each annual general meeting of the Company.

In the proper performance of their duties, each Director has the right to seek a reasonable level of independent professional advice on matters concerning the Company at the Company's expense, after obtaining the Chairman's approval, which will not be unreasonably withheld. Each Director has the right of access to all relevant Company information and to the Company's Executives.

Business risk management

The Board acknowledges that it is responsible for the overall internal control and risk management framework. Accordingly, the Board will implement the following control framework:

Financial reporting: A comprehensive budget will be approved by the Directors. Monthly results will be reported against budget and revised forecasts are prepared regularly;

Special functional reporting: The Board has identified a number of key areas which are subject to regular reporting to the Board such as safety, environmental, insurance and legal matters; and

Investment appraisal: The Company will set clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements. Capital expenditure and revenue commitments above a certain size will require prior Board approval. Procedures will be established to ensure business transactions are properly authorised and executed.

Ethical standards

The Directors acknowledge the need for, and continued maintenance of, the highest standards of ethical conduct by all Directors and employees of the Company. All Directors, executives and employees are required to abide by laws and regulations, to respect confidentiality and the proper handling of information and act with their highest standards of honesty, integrity, objectivity and ethics in all dealings with each other, the Company, customers, suppliers and the community.

The Board will develop a formal code of conduct reflecting its high standards and expectations. The code of conduct will be regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism.

Continuous disclosure

The Directors are committed to keeping the market fully informed of material developments to ensure compliance with the Listing Rules and the Corporations Act. At each Board meeting, specific consideration will be given as to whether any matters should be disclosed under the Company's continuous disclosure policy.

The intended practice of Senior Management is to review and authorise any Company announcement to ensure that the information is factual, timely, clearly expressed and contains all material information so that investors can make appropriate assessments of the information for investment decisions.

Share Trading

The Company has adopted a share dealing code for the Directors and employees, which is appropriate for a company whose shares are admitted to trading on the ASX, and the Company will take all reasonable steps to ensure compliance by its Directors and any relevant employees. The share dealing code is summarised as follows:

- Consistent with the legal prohibitions on insider trading contained in the Corporations Act, all employees, officers and Directors are prohibited from trading in the Company's securities while in possession of unpublished price sensitive information.
- Unpublished price sensitive information is information, which a reasonable person would expect to have a material affect on the price or value of the Company's securities. Examples may include:
 - the financial results of the Company and any of its subsidiaries;
 - projections of future earnings or losses; and
 - changes in senior management.
 - results of drilling and or production testing

It should be noted that either positive or negative information may be material.

An employee, officer or director, whilst in possession of unpublished price sensitive information, is subject to three restrictions:

- they must not deal in securities affected by information;
- they must not cause or procure anyone else to deal in those securities; and
- they must not communicate the information to any person if they know or ought to know that the other person will use the information, directly or indirectly, for dealings in securities.

Employees, officers, and Directors are required to advise the Company Secretary of their intentions prior to undertaking any transaction in Company securities. If an employee officer or director is considered to possess unpublished price sensitive information, they will be precluded from making a security transaction until one trading day after the time of public release of that information.

Conflict of Interest

Directors and Senior Management will be required to advise the Chairman of any existing or potential conflict of interest. When necessary, the Chairman will refer the matter to the Board for determination.

Related party matters

Directors and senior management will be required to advise the Chairman of any related party contract or potential contract. The Chairman will inform the Board and the reporting party will be required to remove himself/herself from all discussions and decisions involving the matter. Prior Board approval will be required for all proposed contracts.

Shareholder relations

The Directors aim to ensure that the Shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Company.

Information on all major developments affecting the Company will be available to Shareholders through:

- the Company's Annual Report;
- quarterly and half yearly reports; and
- the annual general meeting of the Company and other meetings called to obtain approval for Board actions as appropriate. All Shareholders who are unable to attend these meetings will be encouraged to communicate issues or ask questions by writing or emailing to the Company.
- mandatory ASX announcements on the Company website

The Company will take advantage of technology, such as the Company website, to provide greater opportunities for effective communication with Shareholders and to encourage participation at meetings. The intended practice of the Company is to place on the website all company announcements and related information, such as financial statements and public presentations.

Committees

The Board has not established any committees. The Board considers that the management method used is cost effective and practical and matters are reviewed and approved by the Board as a whole.

On matters of Audit and Remuneration, the Board has policies that were established to protect the integrity of the Company's financial reporting and to review the remuneration policies and practices of the Company to ensure that it remunerates fairly and responsibly.

The audit policy of the Board includes the requirement to:

- oversee the effectiveness of the Company's accounting and financial policies and controls;
- oversee the independence of the external auditors; and
- make recommendations to the Board on the appointment of external auditors and reviewing the performance of the external auditors. The independent external auditor reports directly to the Board and is required to attend the annual general meeting of the members of the Company to answer shareholder questions about the audit and the preparation and content of the audit reports.

CORPORATE GOVERNANCE STATEMENT

The remuneration policy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated Directors and employees. The policy is designed for:

- decisions in relation to executive and non-executive remuneration policy;
- decisions in relation to remuneration packages for executive Directors and senior management;
- decisions in relation to merit recognition arrangements and termination arrangements; and
- ensuring that any equity-based executive remuneration is made in accordance with the thresholds set in plans approved by shareholders.



One of our favourite traditional owners

CORPORATE GOVERNANCE STATEMENT

The ASX Corporate Governance Council has published ten core principles of corporate governance which it believes underlie good corporate governance together with guidelines to satisfy those principles. The Company complies with all best practice recommendations of the ASX Corporate Governance Council with the exception of the following:

ASXCGC RECOMMENDATIONS		COMMENT BY COMPANY
2.1	A majority of the board should be independent Directors.	Two of the four Directors are considered to be independent according to the ASX definition. The Board considers that the management method used is cost effective and practical and intends to add further independent Directors dependent on appropriately scaled discovery and production success.
2.4	The board should establish a nomination committee.	The Company currently does not have a nomination committee. Because of the Company's size, the Board believes that such a formal committee would contribute little to its effective management. Nomination matters are reviewed and approved by the Board as a whole.
4.2	The board should establish an audit committee.	The Company currently does not have an audit committee. Because of the Company's size, the Board believes that an audit committee would contribute little to its effective management. Audit matters are reviewed and approved by the Board as a whole.
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	It is the policy of the Board to comply with the disclosure requirements of the ASX Listing Rules and this policy is detailed in the accompanying corporate governance statement.
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	The Company currently does not have a committee for the purpose of recognising and managing risk but it does have a policy in place in this regard. Because of the Company's size, the Board believes that such a committee would contribute little to its effective management. Such matters are reviewed and approved by the Board as a whole.
8.1	Disclose the process for performance evaluation of the board, its committees and individual Directors, and key executives.	Because of the size and structure of the Board a formal performance evaluation process is not conducted.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Central Petroleum Limited will be held at the Registered Office, Level 4 South Shore Centre, 85 South Perth Esplanade, South Perth, Western Australia on the 24th October 2006 at 10.30 a.m. Western Standard Time, for the purpose of transacting the following business:

BUSINESS

1. To receive and consider the financial statements for the year ended 30th June 2006 and the reports by Directors and auditors thereon.
2. Remuneration Report

To receive and adopt the Remuneration Report for the year ended 30 June 2006. (Note that the vote on this item is advisory only and does not bind the Directors or the Company.)
3. To re-elect a director:

Dr HJ Askin retires in accordance with the provisions of the Constitution and, being eligible, offers himself for re-election.
4. To re-elect a director:

Mr WJ Dunmore retires in accordance with the provisions of the Constitution and, being eligible, offers himself for re-election.

By order of the Directors

RW Faull
Company Secretary
Perth, 8th September 2006

PROXIES

- 1 A member entitled to vote at this meeting may vote in person or by proxy, attorney or representative.
- 2 A member entitled to attend and vote is entitled to appoint not more than two proxies.
- 3 Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights.
- 4 A proxy need not be a member.
- 5 Forms appointing a proxy must be lodged at the Company's Registered Office no later than 48 hours prior to the time of the commencement of the meeting.
- 6 A proxy form presented by a company should be under the seal of that company.
- 7 A proxy form accompanies this notice of meeting.

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PROXY FORM

ANNUAL GENERAL MEETING 24th October 2006

The Directors
Central Petroleum Limited
PO Box 197
South Perth
Western Australia 6951

I/We

of

being a member(s) of Central Petroleum Limited hereby appoint

.....

of

or failing him

of

or if no person is named, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the ANNUAL GENERAL MEETING of the members of the Company to be held on the 24th October 2006 and at any adjournment thereof in the manner indicated below or in the absence of indication as he thinks fit or abstain from voting.

Adoption of remuneration Report

For

Against

Abstain

To re-elect Dr HJ Askin

For

Against

Abstain

To re-elect Mr WJ Dunmore

For

Against

Abstain

If two proxies are being appointed, the proportion of voting rights this proxy is appointed to represent is

Dated this day of2006

Signature of member

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