

CENTRAL PETROLEUM LIMITED

ABN 72 083 254 308

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

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CENTRAL PETROLEUM LIMITED
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DIRECTORS' REPORT

The Directors of Central Petroleum Limited present this report for the half-year ended 31 December 2006.

DIRECTORS

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

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

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

PRINCIPAL ACTIVITY

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

REVIEW OF OPERATIONS

Amadeus Basin

EP 82, EPA 111, EP 112, EPA 115, EP 118, EPA 120, EPA 124, EP 125, EPA 133, EPA 137

Structural and Remote Sensing Analysis

During the period the Group completed in final format a detailed structural analysis based on recently flown aerial 1:25,000 colour photographic surveys of the Waterhouse and Ooraminna Prospects in EP 82 and EP 112. Previously flown aerial photography in black and white was used to complete a similar analysis over the Mt Kitty (EP 125) and Johnstone and Gypsum Prospects (EPA 115).

Landsat ("Aster") scenes of the same prospects were used in the same structural analyses and the preliminary results are that several "sweet spots" for future drilling attention have been identified. In the Waterhouse and Ooraminna Prospects, the favoured drilling locations are located where vertical to sub-vertical fractures parallel to the axial plane of folding are co-incident with zones of maximum axial plane deformation related to events subsequent to that producing the initial cylindrical folding structure.

A detailed analysis of alteration styles and mineralization as evidenced by ASTER studies was also undertaken during the period and has revealed a significant number of anomalies commonly associated with hydrocarbon seepage to surface over the Ooraminna, Waterhouse, Mt Kitty and Johnstone Prospects.

Combined studies of both structural mapping and alteration anomalies have helped the Group to focus on the most prospective portions of these giant structures.

Environmental, Sacred Site and Heritage Surveys

Environmental, sacred site and heritage field reports over Mt Kitty, Ooraminna and Waterhouse were completed and the Northern Territory Department of Primary Industry, Fishing and Mining has given permission for seismic line clearing and acquisition over these prospects to proceed with the exception of Waterhouse which awaits the release of the sacred site report carried out by the Aboriginal Affairs Protection Authority.

Applications and EPA 115

The Central Land Council (CLC) and the Group have completed negotiations over EPA 115 and the

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CLC has given approval for the granting of EP 115, which hosts, inter alia, the Johnstone oil prospect, which has 112 MMbbls "high" estimate of prospective recoverable resources.

The Department of Primary Industry, Fisheries and Mines has confirmed receipt of a valid application of EPA 137, c. 8,500 km² surrounding the producing Palm Valley gas field production licence operated by the Magellan-Santos Joint Venture. The permit application is considered highly prospective by the Group and hosts the Palm Valley West lead, thought by the Northern Territory Geological Survey to have potential to host up to 2 TCFG in undrilled potentially recoverable resources.

Applications for other exploration permits are at various stages of progress.

Farmouts

The Group has entered into a Memorandum of Understanding with He Nuclear Pty Ltd with the intention that a formal agreement would be negotiated and executed as soon as practicable for He Nuclear to farm-in to the Mt Kitty Prospect Sub-Block and the Magee Prospect Sub-Block, respectively parts of EP 125 and EP 82.

The proposed terms of the agreement include He Nuclear funding 50% of pre-drilling seismic and the drilling of a well on each Prospect Block to earn a 25% participating interest in each of the sub-blocks.

Seismic Programme

The Group further refined a programme for a \$3,500,000 budget seismic survey focused on the Ooraminna, Waterhouse, Johnstone, Gypsum, and Mt Kitty Prospects and accepted a tender on this programme timed to commence in January 2007.

Pedirka Basin

EP 93, EPA 130, EPA 131, PELA 77

During the period, the Group contracted with RPS Energy to fully audit previous interpretations of the Blamore and Avalon Prospects based on original field seismic data reprocessed previously.

The conclusions of the RPS report included:

- Proposed well locations were fine tuned with minor amendments to allow more focus on the "IP" Intra Permian Horizon.
- Seal quality is not considered a major risk factor.
- Porosities ranging from 13% to 20% are anticipated in the stacked reservoir targets.
- The Prospects are robust, large scale 4 way dip closures in a series of stacked reservoir horizons on a plunging trend favourably located to receive charge from mature good quality Permian source rocks both in-situ and continuously either side of the trend in the contiguous Eringa and Madigan Troughs. Additional mature good quality Jurassic source rocks are interpreted to be available within 10 km both sides of the trend.
- Total probabilistic "mean" prospective potentially recoverable resources are calculated to be c.60 MMbbls in both prospects with Blamore being the favoured first target with c.40 MMbbls.
- An additional prospect, "Avalon North", has been mapped with an apparent burgeoning lobate structure in the IP2 horizon (basal periglacial Permian Crown Point Formation, the Pedirka equivalent of the Cooper Basin Merrimelia Formation) opening and deepening to the east into the deeper Madigan Trough which may indicate potential for a stratigraphic play of some magnitude but requiring additional seismic to better delineate prior to drilling.
- Both wells are anticipated to have total depths of c. 2100m AMSL.

Further discussion with the Central Land Council over an appropriate less flood prone road access plan to EP 93 has continued and the CLC has confirmed that the chosen drilling locations have been given sacred site clearance.

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Tenders for the drilling of Blamore #1 with an option to drill Avalon #1 back to back have been suspended pending a decision on the access route.

Applications for other exploration permits are at various stages of progress.

Wiso Basin (Lander Trough)
EPA 92, EPA 129

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


Georgina Basin
EPA 132

Negotiations with regard to the applications for the exploration permit have not yet commenced.

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 18.

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



RW Faulk - Director
Perth, Western Australia
19th January 2007

CENTRAL PETROLEUM LIMITED
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CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2006

| | Note | Consolidated | |
|------------------------------|------|---|---|
| | | Half-year ended 31 December 2006 \$ | Half-year ended 31 December 2005 \$ |
| Continuing operations | | | |
| Revenue | | 242,459 | 8,629 |
| Amortisation | | (4,626) | - |
| Consulting | | (223,139) | (20,693) |
| Depreciation | | (25,706) | (572) |
| Employee benefits | | (314,021) | (52,423) |
| Exploration expenditure | | (290,784) | (38,867) |
| Insurance | | (22,944) | (19,872) |
| Legal | | (8,204) | (5,401) |
| Stock exchange | | (20,197) | (74,711) |
| Travel | | (12,346) | (32,673) |
| Other expenses | | (187,339) | (225,236) |
| (Loss) before income tax | | <u>(866,847)</u> | <u>(461,819)</u> |
| Income tax | | - | - |
| Net (loss) for the period | | <u>(866,847)</u> | <u>(461,819)</u> |
| | | | |
| Earnings per share | | Cents per share | Cents per share |
| Basic loss | | (0.66) | (1.27) |
| Diluted loss | | (0.66) | (1.27) |

The accompanying notes form part of these financial statements.

CENTRAL PETROLEUM LIMITED
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CONDENSED CONSOLIDATED BALANCE SHEET
AS AT
31 DECEMBER 2006

| | Note | Consolidated | |
|--------------------------------------|------|---------------------------|-----------------------|
| | | 31 December 2006 \$ | 30 June 2006 \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 7,466,905 | 8,372,931 |
| Trade and other receivables | | 89,895 | 112,749 |
| Inventory | | 80,893 | - |
| TOTAL CURRENT ASSETS | | <u>7,637,693</u> | <u>8,485,680</u> |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 139,017 | 130,941 |
| Exploration assets | | 9,788,782 | 9,788,782 |
| Other | | 40,000 | 40,000 |
| Intangibles | | 33,989 | - |
| TOTAL NON-CURRENT ASSETS | | <u>10,001,788</u> | <u>9,959,723</u> |
| TOTAL ASSETS | | <u>17,639,481</u> | <u>18,445,403</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 210,762 | 155,275 |
| Provisions | | 49,447 | 52,855 |
| TOTAL CURRENT LIABILITIES | | <u>260,209</u> | <u>208,130</u> |
| NON-CURRENT LIABILITIES | | | |
| Provisions | | 14,533 | 11,627 |
| TOTAL NON-CURRENT LIABILITIES | | <u>14,533</u> | <u>11,627</u> |
| TOTAL LIABILITIES | | <u>274,742</u> | <u>219,757</u> |
| NET ASSETS | | <u>17,364,739</u> | <u>18,225,646</u> |
| EQUITY | | | |
| Issued capital | | 19,390,862 | 19,390,862 |
| Share options reserve | | 1,993,015 | 1,987,075 |
| Accumulated losses | | (4,019,138) | (3,152,291) |
| TOTAL EQUITY | | <u>17,364,739</u> | <u>18,225,646</u> |

The accompanying notes form part of these financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED
31 DECEMBER 2006

| | Issued Capital \$ | Option Reserve \$ | Accumulated Losses \$ | Total \$ |
|---|-------------------------|-------------------------|-----------------------------|-------------------|
| Total equity at 1 July 2005 | 1,802,647 | 260,400 | (1,837,227) | 225,820 |
| Loss for the period | - | - | (461,819) | (461,819) |
| Share issues | 227,050 | - | - | 227,050 |
| Share based payments | - | - | - | - |
| Total equity at 31 December 2005 | <u>2,029,697</u> | <u>260,400</u> | <u>(2,299,046)</u> | <u>(8,949)</u> |
| | | | | |
| Total equity at 1 July 2006 | 19,390,862 | 1,987,075 | (3,152,291) | 18,225,646 |
| Loss for the period | - | - | (866,847) | (866,847) |
| Share issues | - | - | - | - |
| Share based payments | - | 5,940 | - | 5,940 |
| Total equity at 31 December 2006 | <u>19,390,862</u> | <u>1,993,015</u> | <u>(4,019,138)</u> | <u>17,364,739</u> |

The accompanying notes form part of these financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED
31 DECEMBER 2006

| | Note | Consolidated | |
|---|------|---|---|
| | | Half-year ended 31 December 2006 \$ | Half-year ended 31 December 2005 \$ |
| Cash flows from operating activities | | | |
| Cash management trust distributions | | 14,759 | 8,629 |
| Interest | | 227,699 | - |
| Payments to suppliers and employees | | (704,411) | (583,772) |
| Exploration expenditure | | <u>(371,678)</u> | <u>(38,867)</u> |
| Net cash inflow/(outflow) from operating activities | | <u>(833,631)</u> | <u>(614,010)</u> |
| Cash flows from investing activities | | | |
| Purchase of plant and equipment | | <u>(72,395)</u> | <u>(2,272)</u> |
| Net cash inflow/(outflow) from investing activities | | <u>(72,395)</u> | <u>(2,272)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | - | 227,050 |
| Other loans/(loan repayments) | | <u>-</u> | <u>(6)</u> |
| Net cash inflow from financing activities | | <u>-</u> | <u>227,044</u> |
| Net increase/(decrease) in cash and cash equivalents held | | (906,026) | (389,238) |
| Cash and cash equivalents at the beginning of the period | | <u>8,372,931</u> | <u>408,661</u> |
| Cash and cash equivalents at the end of the period | | <u><u>7,466,905</u></u> | <u><u>19,423</u></u> |

The accompanying notes form part of these financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report is a general purpose financial report that has been prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the accruals basis and on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for the assets. The accounting policies and methods of computation adopted in the preparation of the half-yearly financial report are consistent with those adopted and disclosed in the Company's 2006 Annual Financial Report for the financial year ended 30 June 2006.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the half-year 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 Group"). 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. Recoverable value is the higher of an asset's fair value less costs to sell and value in use. 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 been discounted to their present values in determining recoverable amounts. The cost of fixed assets constructed within the Group 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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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 Group 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 Group 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.

(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.

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(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 Group 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 Group.

(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. 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 Group'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.

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FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

- (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.

2. PROPERTY, PLANT AND EQUIPMENT

During the half-year ended 31 December 2006, the Group acquired assets at a cost of \$72,395 (half-year ended 31 December 2005: \$2,272).

3. SHARE-BASED PAYMENT PLANS

In December 2006, 300,000 share options were granted to a senior executive under the Employee Incentive Share Option Scheme. Of the 300,000 options, 100,000 were vested on the date of grant, 100,000 vest on 21 December 2007, and 100,000 vest on 21 December 2008. The options are exercisable by the payment of 25 cents each and expire on 31 January 2010. The fair value of the options was estimated at the date of grant, when the market price of the shares was 17.0 cents, as 5.7 cents each using the Black-Scholes Model. The following list shows the inputs to the model. No share options were issued during the half year to 31 December 2005 under a share-based payment plan.

| | |
|-----------------------------|-------|
| Volatility (%) | 60 |
| Risk-free interest rate (%) | 6 |
| Contractual life (days) | 1,137 |

4. SEGMENT INFORMATION

The Group operates in the petroleum exploration industry in Australia.

5. CONTINGENCIES AND COMMITMENTS

Since the last annual reporting date there have been no material changes in contingent liabilities or contingent assets.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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6. SUBSEQUENT EVENTS

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

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DIRECTORS' DECLARATION

The Directors declare that:

- (a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors



RW Faull - Director
Perth, Western Australia
19th January 2007

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CENTRAL PETROLEUM LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Central Petroleum Limited, which comprises the condensed consolidated balance sheet as at 31 December 2006, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Central Petroleum Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in

accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Central Petroleum Limited on 19 January 2007.

Basis for Qualified Conclusion

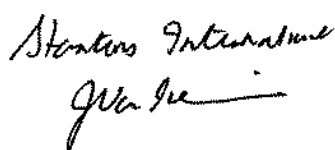
As this is the first year that Central Petroleum Limited is required to prepare an interim financial report and have it reviewed, the condensed consolidated balance sheet, condensed consolidated income statement, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement, and other selected explanatory notes for the preceding corresponding period have not been reviewed or audited. Accordingly we are not in a position to and do not express any assurance in respect of the comparative information for the period ended 31 December 2005. We have however, audited the financial report for the preceding financial year ended 30 June 2006, and therefore our review statement is not qualified in respect of the comparative information for the year ended 30 June 2006 included in the condensed consolidated balance sheet.

Qualified Conclusion

Except for the effect, if any, on the comparatives for the preceding corresponding period that may result from the qualification in the preceding paragraph, based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Central Petroleum Limited is not in accordance with the *Corporation Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL
(An authorised audit company)



J P Van Dieren
Director
West Perth, Western Australia
19 January 2007

Stantons International

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19 January 2007

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 31 December 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