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# **CENTRAL PETROLEUM LIMITED**

**ABN 72 083 254 308**

## **FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**



**CENTRAL PETROLEUM LIMITED**  
**ABN 72 083 254 308**

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**CENTRAL PETROLEUM LIMITED**  
**ABN 72 083 254 308**

**DIRECTORS' REPORT**

The Directors of Central Petroleum Limited present this report for the half-year ended 31 December 2007.

**DIRECTORS**

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

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

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

**PRINCIPAL ACTIVITY**

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

**REVIEW OF OPERATIONS**

***Financial Performance***

The reported loss after income tax for the period was \$2,807,459 (2006: loss of \$866,847).

***Highlights***

***AMADEUS BASIN***

*EP 82, EPA 111, EP 112, EPA 115, EP 118, EPA 120, EPA 124, EP 125, EPA 133, EPA 137, EPA 147, EPA 149, EPA 152*

**Structural and Remote Sensing Analysis**

During the period the Group continued to examine data and refine mapping derived from new seismic shot in early 2007 to further define the selection of drilling locations. Line clearing began in December 2007 for an extensive 2D seismic survey (totalling up to 1153 km) in the Amadeus and Pedirka/Eromanga Basins. The survey is a significant adjunct to a 483 km seismic survey acquired in early 2007.

Total hydrocarbons addressed by the Johnstone and Magee prospects are 173 MMbbl, 65 BCFG and 4 BCF Helium. Eight other Amadeus Basin structural leads will be detailed and address 10 TCFG while the Stuart and Gypsum Amadeus Basin structural leads could host up to 63 MMbbl UOIP\*

Early 2007 seismic shot over the Mt Kitty, Ooraminna and Waterhouse prospects was processed and analysed with the results that drill locations on each prospects were finalised. The Mt Kitty prospect interpretation indicates a gross upside closure of c.430 square kilometres with a maximum vertical closure of 1,000m which may be segmented by faulting but it appears that the target Heavitree Formation is wholly overlain by the Gillen Salt Member, recognised as an excellent seal.

*\*All estimates provided unless otherwise annotated are based on Undiscovered Petroleum Originally in Place at "high" estimate if filled to spill (SPE).*

**Environmental, Sacred Site and Heritage Surveys**

Environmental, sacred site and heritage field reports over Mt Kitty, Ooraminna and Waterhouse prospects were for proposed drilling locations were initiated and the final approvals for drilling based on Heritage Surveys, sacred site surveys and environmental surveys are expected to be completed shortly by the Northern Territory Department of Primary Industry, Fishing and Mining.

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Applications

Exploration Permit EP 115 of 169 whole or partial graticular blocks totalling some 13,000 square kilometres was granted to Frontier Oil and Gas Pty Ltd on the 22<sup>nd</sup> August 2007. The permit hosts the Johnstone oil prospect assessed as having potential to host up to 112 MMbbls of recoverable oil ("high" estimate Prospective Resources) in a three way dip and one way fault terminated closure in the main Ordovician Stairway and Pacoota Sandstone target horizons at depths less than 1,800 m.

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

*PEDIRKA BASIN*

*EP 93, EP105, EP 106, EP 107, EPA 130, EPA 131, PELA 77*

Recent remapping during the quarter of two important drillable oil prospects in the Pedirka/Eromanga Basin, i.e. the Blamore and Simpson Prospects, has facilitated an update of "high" estimate original-oil-in-place (OOIP) of 81 mmbbl and 161 MMbbl respectively.

Further discussion with the Central Land Council over an appropriate less flood prone road access plan to EP 93 continued with the Group accepting in general a route that it considers is appropriate for dry weather access and the CLC has confirmed that the chosen drilling locations have been given sacred site clearance.

Coal Bed Methane - Pedirka Basin

An independent report on the potential Coal Bed Methane potentially recoverable Prospective Resources of the Group's Pedirka Basin permits and permit applications, EPAs 130 and 131, PELA 77, the granted EP 93 and the Traditional Oil Exploration Pty Ltd permit applications EPAs 105,106 and 107 (see section below) by Mulready Consultants Pty Ltd concluded a range of 34 to 70 TCFG may be recoverable in Prospective Resources.

The Group selected drilling locations for 3 CBM well sites during the quarter which may have potential for the entrapment of conventional oil and gas as well as CBM due to the geological structures involved.

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

*WISO BASIN (Lander Trough)*

*EPA 92, EPA 129*

The Central Land Council (CLC) notified the Group that its application for Exploration Permit EPA 92 by Merlin Energy Pty Ltd had been rejected. The Group has a number of options in regard to the area applied for, inclusive of seeking a judicial review of the application process. The Group will address this issue with all due vigour.

EPA 129 awaits the CLC to arrange initial meetings with relevant Traditional Owners.

*GEORGINA BASIN*

*EPA 132, ATP Applications 909, 911, 912*

Negotiations with regard to the applications for the Exploration Permit 132 have not yet commenced.

Merlin Energy Pty Ltd emerged as the successful bidder for three exploration permits in Queensland with areas totalling 14,000 sqm. The Company's wholly owned subsidiary, Merlin Energy Pty Ltd, was notified by the Queensland government that it was the preferred tenderer with priority to apply for a title grant over ATPs 909, ATP 911 and ATP 912 in the Queensland portion of the southern Georgina basin, which hosts oil and gas targets in Middle to Late Cambrian petroleum systems.

*GAS TO LIQUIDS (GTL)*

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An independent report has concluded that there may be sufficient potentially recoverable prospective resources at the "low" estimate level of 34 TCFG in recoverable Coal Bed Methane prospective resources alone from the Pedirka Basin to fuel a 140,000 bbl/day Gas to Liquids Plant for approximately 70 years. Conventional reservoirs are thought to host additional potential up to 35 TCFG according to the Northern Territory Geological Survey. It is thought that any Helium found in gas resources would be extracted at a proposed centrally located GTL plant using potential synergies with the concomitant extraction and cooling of any contained nitrogen.

*DRILLING*

Central Petroleum Limited and Hunt Energy and Mineral Company Co.- Australia Pty Ltd ("Hunt") have signed a binding Letter of Intent to utilise Hunt Rig 2 on Central's 2008 drilling programme timed to commence following the end of the Northern Territory wet season. Under the agreement, Rig 2 will be available to spud from March 1<sup>st</sup> to April 30<sup>th</sup> 2008 for a minimum programme of 2 conventional wells. However, Central may exercise an option to drill up to 5 more conventional wells and 3 coalbed methane wells. The drilling programme is of course subject to various operational contingencies and exploration results.

**CORPORATE ACTIVITIES**

*FARMINS / FARMOUTS*

Petroleum Exploration Australia Pty Ltd

The Group has focussed on the completion of a series of complex agreements reflecting the commercial terms of a Memorandum of Understanding dated 31<sup>st</sup> May 2007 on a proposed farmout to Petroleum Exploration Australia Limited ("PXA"). The terms of the intended farmout agreement will include the funding by PXA of 40% of up to 3 wells and 40% of up to \$3 million of seismic for PXA to earn a 20% interest in the permits and permit applications operated by the Company.

He Nuclear Limited

He Nuclear has continued to finance its promoted share of the seismic processing and analysis within the Mt Kitty (EP125) and Magee (EP82) Prospect Blocks as the Group moves closer to drilling with a finalized drill location being selected.

Other potential farmout deals are being progressed to formal agreements.

Rawson Resources Limited

On the 26<sup>th</sup> October 2007, Merlin Energy Pty Ltd, ("Merlin") a wholly owned subsidiary of Central Petroleum Limited ("CTP") executed a formal Farmin agreement to prospect blocks operated by Rawson Resources Limited, ("RAW") a listed exploration company. The farmin will be targeting prospective recoverable resources totaling 256 million barrels at "best" (P50) estimate level.

The Farmin Agreement between the two companies outlines the plan, subject to all relevant board approvals, for Merlin to fund 100% of the drilling of up to 3 wells over the Simpson, Bejah and Dune prospect blocks in EP 97 in the Pedirka Basin to earn an 80% Participating Interest and operatorship of the three prospect blocks. 100 km of 2D seismic will also be funded by Merlin and Merlin will also earn 80% of any coal bed methane resources in the prospect blocks via the farmin programme.

Traditional Oil Exploration Pty Ltd

During the period, Merlin Energy Pty Ltd completed the acquisition of Exploration Permits 105, 106 and 107 in the prospective Amadeus and Pedirka basins in the Northern Territory from Traditional Oil Exploration Pty Ltd via the total payment of \$100,000 and the issue of 1,500,000 Ordinary Shares in Central Petroleum Limited. EPA 106 covers largely Amadeus Basin sediments while EPAs 105 and 107 cover a mix of Amadeus Basin and Pedirka Basin sediments. The EPAs are contiguous with and lie between Central's EP 82 to the west and EP 93 to the east.

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The acquisition has added an additional 27,000 square kilometres or 6.5 million acres of ground to the Central Petroleum Limited portfolio.

*CAPITAL RAISINGS*

The Company was raised \$11.2m gross during the period. This was achieved through the conversion of Options expiring on 30 June 2007, raising \$9.0m before costs inclusive of a \$1.3 million placement and in addition, a 1:2 non-renounceable entitlement of June 30 2010 Options at an issue price of \$0.025 each, exercisable at \$0.25, raising \$2.2m before costs.

The Options entitlement issue and the Option conversion was underwritten by Martin Place Securities Pty Limited ("MPS").

*STAFF APPOINTMENTS*

Mr Randy Frazier has been appointed as Drilling Manager to manage the Group's drilling programmes, production development, logistics and operations. Mr Frazier has both big and small company experience internationally in remote areas across exploration and production drilling and completions, pipelines and gas treatment including conventional, Coal Bed Methane and Helium development and production.

Mr Mark Di Silvio was appointed Chief Financial Officer and Company Secretary during the period. Mr Di Silvio is a qualified CPA who most recently was responsible for overseeing the development and operation of Woodside's Mauritanian assets. He brings to the Company a wealth of international oilfield experience in the finance and administration fields.

**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 17.

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



JP Heugh - Director  
Perth, Western Australia  
6<sup>th</sup> February 2008

**CENTRAL PETROLEUM LIMITED**  
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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 standard AASB 134 (Interim Financial Reporting) and giving a true and fair view of the financial position as at 31 December 2007 and the performance for the half year ended on that date 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



JP Heugh - Director  
Perth, Western Australia  
6<sup>th</sup> February 2008

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**CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2007**

	Note	31 December 2007 \$	31 December 2006 \$
<b>Continuing operations</b>			
Revenue		425,662	242,459
Amortisation		(6,330)	(4,626)
Consulting		(33,702)	(223,139)
Depreciation		(26,085)	(25,706)
Employee benefits		(900,797)	(314,021)
Exploration expenditure		(1,397,546)	(290,784)
Insurance		(34,730)	(22,944)
Legal		(268,474)	(8,204)
Stock exchange		(47,459)	(20,197)
Travel		(42,938)	(12,346)
Other expenses		(475,060)	(187,339)
(Loss) before income tax		<u>(2,807,459)</u>	<u>(866,847)</u>
Income tax		-	-
Net (loss) for the period		<u>(2,807,459)</u>	<u>(866,847)</u>
 <b>Earnings per share</b>			
		Cents per share	Cents per share
Basic loss		(1.63)	(0.66)
Diluted loss		(1.63)	(0.66)

The accompanying condensed notes form part of these financial statements.

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**CENTRAL PETROLEUM LIMITED**  
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**CONSOLIDATED BALANCE SHEET**  
**AS AT**  
**31 DECEMBER 2007**

	Note	31 December 2007 \$	30 June 2007 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		13,099,891	5,231,785
Trade and other receivables		312,513	356,142
Inventory		80,894	80,894
<b>TOTAL CURRENT ASSETS</b>		<u>13,493,298</u>	<u>5,668,821</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	147,425	159,644
Exploration assets		10,263,782	9,788,782
Other financial assets		211,150	65,000
<b>TOTAL NON-CURRENT ASSETS</b>		<u>10,622,357</u>	<u>10,013,426</u>
<b>TOTAL ASSETS</b>		<u>24,115,655</u>	<u>15,682,247</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		893,230	423,939
Provisions		60,885	52,406
<b>TOTAL CURRENT LIABILITIES</b>		<u>954,115</u>	<u>476,345</u>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		14,618	10,082
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>14,618</u>	<u>10,082</u>
<b>TOTAL LIABILITIES</b>		<u>968,733</u>	<u>486,427</u>
<b>NET ASSETS</b>		<u>23,146,922</u>	<u>15,195,820</u>
<b>EQUITY</b>			
Issued capital	2	28,093,848	19,395,862
Shares to be issued		-	511,238
Share options reserve	2	4,569,070	1,997,257
Accumulated losses		(9,515,996)	(6,708,537)
<b>TOTAL EQUITY</b>		<u>23,146,922</u>	<u>15,195,820</u>

The accompanying condensed notes form part of these financial statements.

**CENTRAL PETROLEUM LIMITED**  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2007**

	<b>Issued Capital \$</b>	<b>Option Reserve \$</b>	<b>Accumulated Losses \$</b>	<b>Total \$</b>
<b>Total equity at 1 July 2006</b>	19,390,862	1,987,075	(3,152,291)	18,225,646
Loss for the period	-	-	(866,847)	(866,847)
Share and option issues	-	-	-	-
Share based payments	-	5,940	-	5,940
<b>Total equity at 31 December 2006</b>	<u>19,390,862</u>	<u>1,993,015</u>	<u>(4,019,138)</u>	<u>17,364,739</u>
<b>Total equity at 1 July 2007</b>	19,907,100	1,997,257	(6,708,537)	15,195,820
Prior year capital receipts allotted in current period	(511,238)	-	-	(511,238)
Loss for the period	-	-	(2,807,459)	(2,807,459)
Share and option issues	9,007,650	2,199,044	-	11,206,694
Share based payments	375,000	372,769	-	747,769
Transaction costs	(684,664)	-	-	(684,664)
<b>Total equity at 31 December 2007</b>	<u>28,093,848</u>	<u>4,569,070</u>	<u>(9,515,996)</u>	<u>23,146,922</u>

The accompanying condensed notes form part of these financial statements.

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**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2007**

	Note	31 December 2007 \$	31 December 2006 \$
<b>Cash flows from operating activities</b>			
Cash management trust distributions		-	14,759
Interest		425,159	227,699
Payments to suppliers and employees		(1,442,707)	(704,411)
Exploration expenditure		(1,133,793)	(371,678)
		<u>(2,151,341)</u>	<u>(833,631)</u>
<b>Net cash inflow/(outflow) from operating activities</b>			
<b>Cash flows from investing activities</b>			
Lodgement of interest bearing performance bond		(171,150)	-
Purchase of plant and equipment and intangibles		(20,195)	(72,395)
		<u>(191,345)</u>	<u>(72,395)</u>
<b>Net cash inflow/(outflow) from investing activities</b>			
<b>Cash flows from financing activities</b>			
Capital receipts pending allotment		(511,238)	-
Proceeds from issue of shares and options		11,206,694	-
Transaction costs from issue of shares		(484,664)	-
		<u>10,210,792</u>	<u>-</u>
<b>Net cash inflow from financing activities</b>			
		<u>7,868,106</u>	<u>(906,026)</u>
<b>Net increase/(decrease) in cash and cash equivalents held</b>			
Cash and cash equivalents at the beginning of the period		<u>5,231,785</u>	<u>8,372,931</u>
Cash and cash equivalents at the end of the period		<u><u>13,099,891</u></u>	<u><u>7,466,905</u></u>

The accompanying condensed notes form part of these financial statements.

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**CONDENSED NOTES TO THE FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

**1. BASIS OF PREPARATION AND 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*. 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 2007 Annual Financial Report for the financial year ended 30 June 2007.

Since 1 July 2007 the Group has adopted the following Standards and Interpretations mandatory for annual periods beginning on or after 1 January 2007. Adoption of these Standards and Interpretations did not have any effect on the financial performance or position of the Group:

- AASB 7 Financial Instruments: Disclosures
- AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 and 1038)
- AASB 2007-04 Amendments to Australian Accounting Standards arising from ED 151 and other amendments
- AASB 2007-7 Amendments to Australian Accounting Standards (AASB 1, 2, 4, 5, 107 and 108).

**2. ISSUED CAPITAL AND OPTIONS RESERVE**

	<b>31 December 2007</b>	<b>30 June 2007</b>
	\$	\$
<b>Issued Capital</b>		
177,423,503 ordinary shares	28,093,848	19,395,862
(30 June 2007: 130,885,252 ordinary shares)		
<b>Share Options Reserve</b>		
128,961,760 share options	4,569,070	1,997,257
(30 June 2007: 68,291,251 share options)		
	<b>31 December 2007</b>	<b>31 December 2007</b>
	\$	<b>No. of Securities</b>
<i>Movements in ordinary shares on issue:</i>		
At 1 July 2007	19,395,862	130,885,252
Exercise of 30/6/07 options at \$0.20 each	7,748,250	38,741,251
Share placement at \$0.20 cents per share	1,259,400	6,297,000
Share placement at \$0.25 cents per share	375,000	1,500,000
Transaction costs	(684,664)	-
Balance at end of year	<u>28,093,848</u>	<u>177,423,503</u>
<i>Movements in share options on issue:</i>		
At 1 July 2007	1,997,257	68,291,251
Exercise of 30/6/07 options at \$0.20 each	-	(38,741,251)
Issue of 30/6/10 options at \$0.25 each	2,399,044	95,961,760
Issue of 30/11/10 options at \$0.30 each	172,769	3,450,000
Balance at end of year	<u>4,569,070</u>	<u>128,961,760</u>

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**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

**3. PROPERTY, PLANT AND EQUIPMENT**

During the half-year ended 31 December 2007, the Group acquired assets at a cost of \$20,195 (half-year ended 31 December 2006: \$72,395).

**4. SHARE-BASED PAYMENTS**

During the current period, the Company concluded a Sale and Purchase Agreement with Traditional Oil Pty Ltd for the purchase of Exploration Permits 105, 106 and 107 in the Northern Territory. As partial consideration under the terms of the agreement, the Company issued Traditional Oil Pty Ltd with 1,500,000 shares at a price of 25c per share for a consideration value of \$375,000.

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

**2007**

On 8 November 2007, 3,450,000 share options were granted to employees under the Employee Incentive Share Option Scheme. The exercise price is \$0.30 each, exercisable between 8 November 2007 and 31 November 2010.

**2006**

On 21 December 2006, 300,000 share options were granted to an employee under the Employee Incentive Share Option Scheme. The exercise price is \$0.25 each, exercisable between 21 December 2006 and 31 January 2010.

**5. SEGMENT INFORMATION**

The Group operates in the petroleum exploration industry in Australia.

**6. CONTINGENCIES AND COMMITMENTS**

During the current period, the Company concluded a Sale and Purchase Agreement with Traditional Oil Pty Ltd for the purchase of Exploration Permits 105, 106 and 107 in the Northern Territory. As partial consideration under the terms of the agreement, the Company shall pay Traditional Oil Pty Ltd the sum of \$1,000,000 within twelve months following the commencement of any future commercial production from the applicable permits.

**7. SUBSEQUENT EVENTS**

*Issue of Options to Directors*

On 3 January 2008, the Company granted 11,000,000 options to the Directors of Central Petroleum Limited exercisable on or after 3 January 2008 and expiring on 3 January 2012. The terms and conditions of the grant of options to Directors were approved at a meeting of shareholders on 21 December 2007.

The fair value of the options granted to Directors was estimated at the date of grant as being \$1,148,840 using a Black Scholes model and taking into account the following parameters:

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Option Series	Number of Options	Market Price at Grant Date	Exercise Price	Share Price Volatility	Risk Free Interest Rate
A	2,200,000	\$0.19	\$0.28	90%	6.75%
B	2,200,000	\$0.19	\$0.33	90%	6.75%
C	2,200,000	\$0.19	\$0.37	90%	6.75%
D	2,200,000	\$0.19	\$0.43	90%	6.75%
E	2,200,000	\$0.19	\$0.50	90%	6.75%

*Bond Subscription Agreement*

Central Petroleum Limited announced on 20 November 2007 that it had entered into a Bond Subscription Agreement with D.B. Zwirn Mauritius Trading No. 3 Limited (DBZ) (Agreement).

The Agreement provides the framework for the Company to raise up to \$80,000,000 by issuing convertible zero coupon bonds over a maximum time frame of up to five years, in \$1,000,000 tranches. The Company proposes to use the funds raised to fund its exploration program, possible development and infrastructure and possibly the purchase of a drilling rig.

DBZ is wholly-owned by D.B. Zwirn Special Opportunities Fund, L.P., a Delaware limited partnership managed by D.B. Zwirn & Co., L.P. (DBZ & Co.), a global alternative investments manager and merchant capital provider.

The capital raising required shareholder approval which was gained at a General Meeting of the Company on 21 December 2007. A resolution to issue a discounted share package to the Martin Place Securities Staff Super Fund required as a condition to initiate the issue of bonds to DBZ & Co was approved at an adjourned General Meeting held on January 11 2008.

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## 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 2007, 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 2007 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

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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*

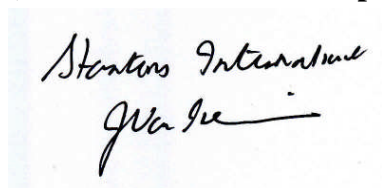
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Central Petroleum Limited on 6 February 2008.

#### *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 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

6 February 2008

# Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET  
WEST PERTH WA 6005, AUSTRALIA  
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204  
www.stantons.com.au

6 February 2008

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 review of the financial statements of Central Petroleum Limited for the period ended 31 December 2007, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

**STANTONS INTERNATIONAL**  
**(Authorised Audit Company)**



**John Van Dieren**  
**Director**

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**CENTRAL PETROLEUM LIMITED**  
**ABN 72 083 254 308**

**CORPORATE DIRECTORY**

**DIRECTORS**

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

**COMPANY SECRETARY**

Marco A Di Silvio, BBus CPA MBA

**REGISTERED OFFICE**

Suite 3, Level 4 South Shore Centre  
85 The Esplanade  
South Perth  
Western Australia 6151  
Telephone; +61(0)8 9474 1444  
Fax: +61(0)8 9474 1555  
[www.centralpetroleum.com.au](http://www.centralpetroleum.com.au)

**AUDITORS**

Stantons International  
1<sup>st</sup> Floor  
1 Havelock Street  
West Perth  
Western Australia 6005  
[www.stanton.com.au](http://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](http://www.computershare.com)

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