CENTRAL PETROLEUM LIMITED

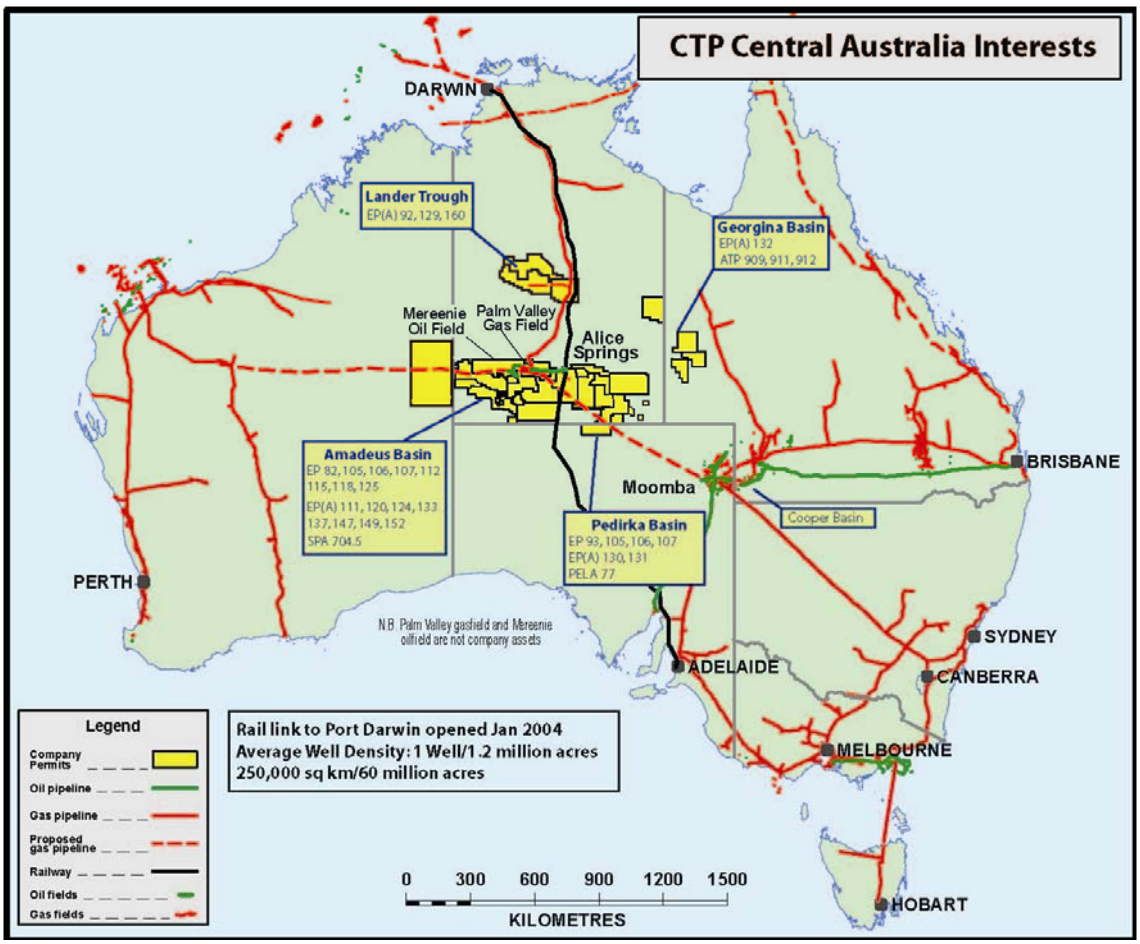
ABN 72 083 254 308

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

CONTENTS



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 2008.

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 $9,903,768 (2007: loss of $2,807,459) due to an increase in exploration activity while the total assets of the Group amounted to $19,332,824 at the end of the period. Cash calls to Petroleum Exploration Australia Limited, now owned by Queensland Gas Company Limited (QGC), a BG Group company, outstanding at the end of the period amounted to $1,904,791.

Highlights

<u>EXPLORATION ACTIVITIES</u>

The exploration model/philosophy behind the company's long history of tenement acquisition as well as its exploration strategy, is based on the belief that many of Australia's onshore frontier basins are grossly underestimated in terms of their hydrocarbon potential. For nearly a decade since 1998 when oil was trading at US$12/bbl, Central has pursued this strategy with the acquisition of over 250,000 sq km of highly prospective exploration holdings in Central Australia.

The main highlights of the period end to 31 December 2008 were the completion of the 2008 drilling campaign as far as possible prior to the commencement of what has eventuated as a heavy and prolonged wet season requiring the suspension of the drilling programme and the emergence of the BG Group as a joint venture partner via the acquisition of Petroleum Exploration Australia Limited by the QGC - a BG Group business.

The Group has demonstrated the potential of the Pedirka Basin to host very large volumes of coal with Coal Bed Methane (CBM) potential, has demonstrated the presence of active petroleum systems in the Pedirka Basin, has gained a very significant joint venture farm-in partner and has emerged from the Global Finanical Crisis in a very strong position with a total of $6.7 million in banked funds as at 31 December 2008. Of these funds, $4.1 million were available to the Company for working capital excluding funds reserved in joint venture partner contributions for forthcoming exploration expenditure. A further $1.9 million of funds available to the Group for working capital had been cash called and was due by 15 January 2009.

An additional $550,000 available for working capital was received after the financial period (31 December 2008) on 16 January 2009 as a result of Trident Energy Limited formalising a farm-in agreement to earn a 10% interest in EP 115, hosting the Johnstone Prospect with over 300 MMbbls in UOIIP potential.

Mapping and analysis of new seismic shot during 2008 over the Magee Prospect Block within EP82 has resulted in the delineation of up to 1.4 TCFG and up to 15 BCFG Helium in potential UGIIP, a significant boost to the potential of this little known area. Together with the Mt Kitty Prospect Block, total UGIIP potential stands at 4.4 TCFG and 200 BCFG Helium.

A further 15,000 km^2 of ground was applied for in EPA 160 on 25 August 2008 covering the remaining area of the Wiso Basin Lander Trough considered to be prospective for petroleum.

A new wholly owned subsidiary, Merlin Coal Pty Ltd, was incorporated 3 December 2008 and applications have been made under the Mining Act of the Northern Territory for 19,000 km^2 of coal bearing ground to cover the Group's position in the event that the Northern Territory determined to allow Underground Coal Gasification under the Mining Act instead of the Petroleum Act.
Subject to grant and exploration success, the coal permit applications may provide additional potential for the application of Coal to Liquid technology by the mining of coal and surface treatment to produce a range of value added Gas to Liquid (GTL) products such as jet fuel, diesel and naphtha. A report released after the half year end concluded that there were over 1 Trillion tonnes of coal above a depth of 1,000m as a viable Exploration Target in the Group's Pedirka Basin permits and application areas. It is noted here that neither PXA (now owned by QGC, a BG Group company) nor the current joint venture with them and the Group are pursuing the application of UCG. The Group, however, (outside of the current joint venture with the Group and PXA) are interested in examining the potential for UCG in the Pedirka Basin following the encouraging reports released on modern UCG applications by Carbon Energy Limited and Linc Energy. One of these reports determined that approximately 20 Gigajoules (GJ) of energy can be retrieved at the surface per tonne of coal combusted underground. An industry rule of thumb for the production of GTL production is that each barrel of liquid produced requires approximately 10 GJ of energy imput.

The Group has provided data to QGC to jointly assess as a basis for planning the continuance of exploration and is in active discussion with several potential additional farm-in partners. Meanwhile during this period of consolidation plans are on hand to hire additional staff to cope with anticipated additional workload going forward. The appointment of an Exploration Manager to assist the Manager-Geology and Senior Geophysicist in programme planning is expected to be announced in the near future. Additional support staff are under consideration including the appointment of a Drilling Manager or alternatively the appointment of a consultant or consultants to perform this role.

The Blamore 1 well and the first CBM well in EP 93, CBM93001 (Petroleum Exploration Australia Limited ("PXA" - 20%) and Merlin Energy Pty Ltd, a Central Petroleum Limited wholly owned subsidiary ("Merlin"- 80%) as well as the Simpson 1 well in the EP 97 Simpson farm-in block (PXA 15%, Merlin 65% and Rawson Resources 20%) were completed during half-year to date. Following completion and suspension of CBM93001 as a potential producing well to be flow tested at a later date, Hunt Rig 2 was mobilised to Simpson 1. Simpson 1 was subsequently spudded on 1 October 2008 and completed as a dry hole and the rig released on 22 October 2008.

Although a commercial oil discovery has not been made, great strides have been made in the Group's understanding of the basins involved by the recently acquired and processed seismic and of course the drilling results obtained to date. Central Petroleum Limited is the Operator of all of the Joint Venture operations.

Wells Drilled in 2008

- Blamore 1 oil - this well was plugged and abandoned. The well suffered hole instability problems and although terminated prematurely at 2,128m before reaching the planned Total Depth of 2,500m, demonstrated the existence of a much thicker sequence of Permian gas bearing coals than anticipated. Although attempted Drill Stem Tests ("DSTs") of the coal beds failed due to tool problems, the MREX (Nuclear Magnetic Resonance electric log) showed evidence of permeability, there were 160m of net coal interpreted and gas inclusive of heavier fractions of up to a total reading of 233 units was recorded during drilling. The results of the drilling at Blamore 1 were thought to have very positive implications for the Coal Bed Methane ("CBM") drilling programme later in 2008. A third party with interests in the Australian energy sector funded the cost of attempted Drill Stem Tests (DSTs) at an approximate cost of $600,000 in return for an exclusive option to negotiate on farm-ins over the Group's acreage as well as a placement or placements of shares in the parent entity, Central Petroleum Limited. The option subsequently expired on 6 October 2008.

- CBM93001 Coal Bed Methane – this well intersected over 140m of net coal, a similar package to the coals at Blamore 1. The lower coals showed significant gas peaks while drilling and drill stem testing showed evidence of permeability. Desorbtion testing was inconclusive with low projected values of CBM per tonne coal generally less than 1 cubic metre of gas per tonne of coal thought to be at least partially due to problems in extraction of core and sealing in pressure canisters brought about by inadequate core retrieval systems. Comprehensive testing of data gathered is still in hand but preparations are being made to apply for permission to attempt to flow the well after the installation of appropriate de-watering equipment.

- The Simpson1 oil prospect well was targeting 190 MMbbls UOIIP ready to drill. This well was subsequently spudded on 1 October 2008 but plugged and abandoned as a non-producer following electric logging. Structural mis-interpretation brought about by apparent much higher than normal seismic velocities in the lower Permian appears to be the main reason why the well was not a discovery well but early indications are that a residual oil column in the Jurassic Poolowanna Formation was encountered; a futher report will clarigy this once results are all available. Hunt Rig 2 was released on 22 October 2008 and remains stacked at Kulgera, on the main highway south of Alice Springs from where it could be utilised easily for a continuance of the drilling programme.

- Further decisions on the remainder of the 2008 drilling programme await the deliberations of the Joint Venture partners at the time of preparation of this report. The proposed programme approved for 2008 included :

    - Coal Bed Methane wells CBM 93002 and 107001 - first stage exploration for 34-70 TCFG prospective recoverable resources ready to drill.
    - Mt Kitty gas-Helium-condensate 3.0 TCFG, 185 BCFG Helium UGIIP ready to drill.
    - Ooraminna gas-1.9 TCFG UGIIP ready to drill.

The drilling programme for these outstanding wells has been suspended at present. It is subject to review and further decisions after data acquired has been fully analysed and joint venture partners consulted.

Contingent wells 2008

- Johnstone oil 320 MMbbls UOIIP additional pre-drilling seismic was mapped by June 2008 and the prospect is considered ready to drill.
- Waterhouse gas 2.7 TCFG UGIIP ready to drill.
- Magee gas-Helium-condensate with additional recent pre-drilling seismic fully mapped by August 2008 which has indicated a subthrust play and a truncation play both sealed by salt layers with total UGIIP potential of up to 800 BCFG and up to 15 BCFG of Helium.

These wells were not drilled but remain as contingent wells for future programmes.

Note : “UOIIP” refers to Undiscovered Oil Initially In Place at “high” estimate and “UGIIP” refers to Undiscovered Gas Initially in Place at “high” estimate.

The drilling programme is, of course, subject to various operational contingencies and exploration results. Only one well (apart from the attempted drilling of a well in the Beetaloo Basin by Sweetpea Petroleum) has been drilled in the last fifteen years in this region due to the previous lack of infrastructure and relatively low oil prices until 2004 when both the oil price reached new highs and the Alice Springs to Darwin rail link was completed. There are significant logistical problems to overcome in relation to long range desert operations but the Group has found ways to reach solutions to any problems encountered thus far.

AMADEUS BASIN
EP 82, EP 106, EPA 111, EP 112, EP 115, EP 118, EPA 120, EPA 124, EP 125, EPA 133, EPA 137,EPA 147, EPA 149, EPA 152, and SPA 7/04-5

Structural and Remote Sensing Analysis and Seismic

During the last quarter, the Group applied funding from a grant from the Northern Territory government for half of the cost of conducting a gravity survey over the Henbury area in EP 112 to assist in mapping salt related structures and prospects. This work is still in progress and the results will be published once available.

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

PEDIRKA BASIN
EP 93, EP 97, EP 105, EP 106, EP 107, EPA 130, EPA 131 and PELA 77

The results of Blamore 1 have been discussed above.

In the Pedirka/Eromanga Basin, the 2008 seismic survey covered three strong oil leads, the Vivienne, Guinevere and Madigan leads. Total petroleum addressed by these leads is up to c.1 Billion barrels UOIIP. Mapping and analysis of the seismic results is continuing but results have not as yet been readied for release. Seismic acquisition over the track to Blamore has provided better definition of coal beds and conventional targets on the Andado Shelf and the Eringa Trough.

The definition of a new Devonian carbonate platform complex play with multi-billion barrel UOIIP potential in the Pedirka Basin as a result of new seismic mapping was a highlight of the previous quarter. The new Devonian play lies largely within the Simpson prospect block in EP 97, the subject of a farm-in deal with Central, Rawson Energy Limited (RAW) and PXA being joint venture partners at participating interest levels projected of 65%, 20% and 15% respectively.

Two prospects, the Erec and Lucan prospects, based on the new Devonian carbonate complex play type have been outlined to date have combined potential to host large volumes of Undiscovered Oil (or Gas) Initially in Place up to a cumulative total in excess of about 5 Bbbls (billion barrels) oil equivalent at “high” estimate. (SPE definition)

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

Other Pedirka Basin Highlights - Coal Mining Act Applications

Via a new wholly owned subsidiary company, Merlin Coal Pty Ltd, the Group made application on 11 December 2008 under the Mining Act of the Northern Territory for a total of 19,000 km^2 of ground in the Pedirka Basin thought to contain large tonnages of coal. 18 Exploration Licence Applications (ELA 27094-27114 inclusive) were made with a view to covering the Group’s position in the event that the Northern Territory decided in the future to allow Underground Coal Gasification (UCG) under the Mining Act.

Currently, different states have different policies on this potentially vexatious issue with the Queensland government restricting UCG to the Mining Act but allowing CBM under the Petroleum Act, thereby opening the door to considerable potential disharmony and legal wrangles.

South Australia has allowed both UCG and CBM under the Petroleum Act and although the Group anticipates the Northern Territory will avoid the imbroglio created in Queensland by following the lead of the South Australian Government, no formal decision has been made so the move to apply for coal mining permits under the Mining Act was considered prudent.

It may also be possible to commercially mine coal under the Mining Act to allow application of Coal to Liquid (CTL) technology to produce value added petroleum products such as naphtha, diesel and jet fuel once the coal is treated on the surface.

A report on the coal tonnages potentially available to the Group was completed after the half-year to date and concluded that there is over 1 Trillion tonnes of coal above 1,000m in depth in Central's Pedirka Basin permits and applications as a viable Exploration Target.

LANDER TROUGH EPA 92, EPA 129 and EPA 160

The Central Land Council (CLC) notified the Group that its application for EPA 92 by Merlin had been rejected. Thus far, the CLC has not explained to the Group, as required by law, the processes undertaken by them. The Group has commenced action against the CLC under the provisions of the Aboriginal Land Rights (Northern Territory) Act 1976 Commonwealth as amended ("ALRA") and the Administrative Decisions (Judicial Review) Act 1977 Commonwealth ("ADJR Act"). It has been revealed that contrary to the provisions of the Aboriginal Land Rights Act, the CLC did not facilitate initial meetings with all of the relevant Traditional Owners some of whom may now seek to take action against the CLC.

The CLC has informed the Group that consent to grant of EPA 129 had also been withdrawn but the Group applied for an extension of the time to negotiate to the Minister of the Northern Territory Department of Primary Industry, Mining and Fisheries which was granted subsequent to 30 June 2008 and now awaits the CLC to arrange initial meetings with relevant Traditional Owners.

15,000 km^2 of new ground was applied for in EPA 160 on 25 August 2008 to mop up the remaining area of the Lander Trough considered prospective for petroleum.

GEORGINA BASIN EPA 132 and ATP APPLICATIONS 909, 911 and 912

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

Merlin Energy Pty Ltd emerged during 2007 as the successful bidder for three exploration permits in Queensland with areas totalling 9,000 km^2. A Central Petroleum Limited 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 ATP 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.

The right to negotiate process is being pursued by the Group to facilitate the granting of these permits. Advice was received during the December quarter of the desire of various indigenous groups to meet to discuss the potential granting of the permits. The initial meeting is expected to take place in late February in Queensland between representatives of the groups and Central Petroleum's indigenous affairs advisor, Mr Robert Liddle.

The Queensland applications are part of Central's exploration strategy of gaining an early-entry position into under-explored prospective onshore basins of central Australia, with the accompanying aim of building up "whole-of-basins" positions.

Although under-explored, the Georgina Basin hosts a rich Cambrian petroleum system which has been well documented. The area is believed to have generated more than 40 billion tonnes of hydrocarbons in its lifetime.

In the Northern Territory portion of the Georgina basin, there have been some 20 exploration wells drilled, with 13 of them yielding live oil shows, despite the absence of adequate seismic definition at the time. The Georgina basin is largely oil-prone, although Central's Queensland holdings are partially adjacent to Ethabuka-1, which flowed a small amount of gas from the Kelly Creek Formation. Not surprisingly, oil will be the main target on the shelf updip of this syncline, as drilling to date has consistently yielded oil shows and indications of oil migration.

GAS TO LIQUIDS ("GTL") and Helium

Discussions continue with appropriate GTL technology holders concerning the Group's long term plans to monetise any gas reserves proved by drilling. With the recent intensity of activity in the CBM industry, especially the various plans mooted to produce LNG from Queensland CBM resources having a positive effect on domestic gas prices, it is conceivable that domestic gas prices may improve in the future to the extent that a pipeline linking central Australia to the domestic gas markets on the eastern seaboard may be a viable option to assist in monetising otherwise stranded gas thought to exist in the central Australian Amadeus, Pedirka, Lander Trough and Georgina basins. The Group believes that GTL is probably the best option to monetise gas from central Australia under the current gas pricing regime but will keep an open mind to alternatives.

CORPORATE ACTIVITIES

FARM-INS / FARM-OUTS

Petroleum Exploration Australia Limited ("PXA"):

PXA continued as a joint venture partner with a 20% participating interest to be funded at the 40% level in accordance with the terms of a formal farm-out agreement executed on 15 February 2008. The terms of the farm-out agreement 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. During the December quarter, all of the shares of PXA were acquired by the QGC, now a BG Group business. It has been confirmed that a total of some $18.5 million was paid to PXA shareholders less $5 million which was paid directly to the Group to settle outstanding cash call amounts owed to the Group by PXA and further that the only assets bought with the purchase of PXA were the various farm-in arrangements and interests of PXA in the Group's operated acreage.

He Nuclear Limited:

He Nuclear Limited (HEN) has continued as joint venture partner with a 25% participating interest to be funded at the 50% level of exploration within the Mt Kitty (EP125) and Magee (EP82) Prospect Blocks.

New seismic shot in the Magee area has produced some outstanding results which have dramatically enhanced the potential of the Magee Prospect Block. These results have been announced separately but include the potential of the Magee Prospect Block to host 1.4 TCFG and up to 15 BCFG Helium in UGIIP. The Mt Kitty Prospect Block has potential to host 3.0 TCFG and 180 BCFG Helium in UGIIP. It is anticipated that both the Mt Kitty and the Magee prospects will be drilled in the next drilling campaign subject to various contingencies. HEN is a privately owned unlisted company being developed under the auspices of Martin Place Securities, (MPS) a boutique Sydney based stockbroking firm specialising in the resources industry and is managed by Barry Dawes, the CEO of MPS and Ian Mutton, a prominent corporate lawyer specialising in the Trade Practices area of law for large resources companies.

Trident Energy Limited:

On 28 June 2007, Frontier Oil & Gas Pty Ltd (a wholly owned subsidiary) signed a Memorandum of Understanding with Trident Energy Limited ("Trident") whereby the privately-owned Melbourne-based oil junior will fund a $3 million seismic acquisition programme and the drilling of three exploration wells at the 20% level to earn a 10% interest in the Amadeus basin block EP 115. This agreement was formalised on 16 January 2009 via the execution of farm-in and joint operating agreements with ancillary documents together with the payment to the Group of $550,000 representing 20% of previous expenditure within EP 115. Trident now joins the Group's wholly owned subsidiary, Frontier Oil and Gas Pty Ltd and PXA, a wholly owned subsidiary of QGC, a BG Group business in a joint venture for the exploration of this highly prospective property which hosts, inter alia, the Johnstone Oil Prospect, thought to host over 300 MMbbls of oil in UOIIP.

Trident is focusing on risk reduction through the application of leading-edge exploration methods to high-grade seismically-defined prospect portfolios, particularly in modelling petroleum systems and high-tech geochemistry, including the "GoreTM" technique.

Subsequent to the end of the half-year reporting period, Trident executed a further farm-in agreement to EPA 111 subject to grant on similar terms to the EP115 farm-in agreement.

Other:

The Group continues with various discussions and preliminary negotiations concerning additional farm-outs, strategic stabilising investment relationships, technology based joint ventures and capital raising avenues.

MANAGEMENT CHANGES

Mr Randy Frazier resigned as Drilling Operations and Production Manager at the end of 2008 to pursue opportunities in his homeland of the United States of America.

Mr Bernard Crawford joined the Group in August 2008 as Chief Financial Officer and Company Secretary but was replaced by Mr Julian Tambyrajah in the same role in November 2008.

The Group is currently recruiting for an Exploration Manager and expects an appointment to be announced shortly.

FINANCIAL

The Statement of Cash Flows shows cash movements and other information for the half-year ended 31 December 2008. In summary, total current assets for the half-year ended 31 December 2008 were $8,620,408 versus $17,554,688 for the year ended 30 June 2008, a net decrease $8,934,280 mainly representing payments for exploration, evaluation and administrative expenditure.

Outstanding cash calls to the joint venture partner Petroleum Exploration Australia Limited, (now owned by QGC, a BG Group company) at the end of the period amounted to $1,904,791.

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 20.

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

JP Heugh - Director
Perth, Western Australia
16 March 2009

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

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 2008 and of 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
16 March 2009

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2008

	31 December 2008 $	31 December 2007 $
Continuing operations		
Revenue	633,617	425,662
Amortisation	(4,790)	(6,330)
Consulting	(49,102)	(33,702)
Depreciation	(46,085)	(26,085)
Employee benefits	(1,024,044)	(900,797)
Exploration expenditure	(9,330,227)	(1,397,546)
Insurance	(32,594)	(34,730)
Legal	(65,654)	(268,474)
Stock exchange	(43,009)	(47,459)
Travel	(33,530)	(42,938)
Recovery of operating costs	548,894	-
Other expenses	(457,244)	(475,060)
(Loss) before income tax	(9,903,768)	(2,807,459)
Income tax	-	-
Net (loss) for the period	(9,903,768)	(2,807,459)

Earnings per share	Cents per share	Cents per share
Basic loss	(3.88)	(1.63)
Diluted loss	(3.88)	(1.63)

The accompanying condensed notes form part of these financial statements.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

CONSOLIDATED BALANCE SHEET
AS AT
31 DECEMBER 2008

	Note	31 December 2008 $	30 June 2008 $
CURRENT ASSETS			
Cash and cash equivalents		6,678,436	15,413,345
Trade and other receivables		1,376,803	1,673,021
Inventory		565,169	468,322
TOTAL CURRENT ASSETS		8,620,408	17,554,688
NON-CURRENT ASSETS			
Property, plant and equipment	3	167,484	193,182
Exploration assets		10,168,782	10,263,783
Other financial assets		376,150	1,376,150
TOTAL NON-CURRENT ASSETS		10,712,416	11,833,115
TOTAL ASSETS		19,332,824	29,387,803
CURRENT LIABILITIES			
Trade and other payables		2,226,783	3,097,318
Provisions		99,919	97,542
TOTAL CURRENT LIABILITIES		2,326,702	3,194,860
NON-CURRENT LIABILITIES			
Provisions		22,321	-
TOTAL NON-CURRENT LIABILITIES		22,321	-
TOTAL LIABILITIES		2,349,023	3,194,860
NET ASSETS		16,983,801	26,192,943
EQUITY			
Issued capital	2	39,919,512	39,234,061
Share options reserve	2	5,848,818	5,839,643
Accumulated losses		(28,784,529)	(18,880,761)
TOTAL EQUITY		16,983,801	26,192,943

The accompanying condensed notes form part of these financial statements.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED
31 DECEMBER 2008

	Issued Capital $	Option Reserve $	Accumulated Losses $	Total $
Total equity at 1 July 2007	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)
Total equity at 31 December 2007	28,093,848	4,569,070	(9,515,996)	23,146,922
Total equity at 1 July 2008	39,234,061	5,839,643	(18,880,761)	26,192,943
Loss for the period	-	-	(9,903,768)	(9,903,768)
Share and option issues	705,789	-	-	705,789
Share based payments	-	9,175	-	9,175
Transaction costs	(20,338)	-	-	(20,338)
Total equity at 31 December 2008	39,919,512	5,848,818	(28,784,529)	16,983,801

The accompanying condensed notes form part of these financial statements.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	31 December 2008 $	31 December 2007 $
Cash flows from operating activities			
Interest received		421,527	425,159
Payments to suppliers and employees		(10,816,709)	(2,576,500)
Net cash inflow/(outflow) from operating activities		(10,395,182)	(2,151,341)
Cash flows from investing activities			
Release / (Lodgement) of interest bearing performance bond		1,000,000	(171,150)
Purchase of plant and equipment and intangibles		(25,178)	(20,195)
Net cash inflow/(outflow) from investing activities		974,822	(191,345)
Cash flows from financing activities			
Capital receipts pending allotment		-	(511,238)
Proceeds from issue of shares and options		705,789	11,206,694
Transaction costs from issue of shares		(20,338)	(484,664)
Net cash inflow from financing activities		685,451	10,210,792
Net (decrease) / increase in cash and cash equivalents held		(8,734,909)	7,868,106
Cash and cash equivalents at the beginning of the period		15,413,345	5,231,785
Cash and cash equivalents at the end of the period		6,678,436	13,099,891

The accompanying condensed notes form part of these financial statements.

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 should 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 2008 Annual Financial Report for the financial year ended 30 June 2008.

The Group has made no adoption of any new Standards or Interpretations during the period under consideration.

Going Concern

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business and at the amounts recorded in the financial statements.

The Group's ongoing funding for exploration and development activities would normally flow from equity placements and in particular the use of the Bond Subscription Agreement. The Bond Subscription Agreement is currently not in use as the Company's share price has been below the Bond Floor Price of $0.15. The Company is currently renegotiating the Bond Subscription Agreement with Asia Convertible Bond Opportunities, LLC and expects this to be signed shortly. The Company will also seek shareholder approval for the issue of ordinary shares on conversion of bonds under the Bond Subscription Agreement for a period of 15 months from ASX waiver and shareholder approval. The Company also intends to make a Rights Issue as a further basis for raising funds.

The Group's minimum expenditure commitment on permits and tenements held by the Company is $2.7 million over the 12 months commencing 1 January 2009. The Company currently has $6.5 million as at 3 March 2009. The Company has sufficient funds to maintain its corporate entity for the next 12 months whilst keeping exploration expenditure at a minimum. Drilling and other exploration activities will not commence until funds have been raised through the Bond Subscription Agreement, the Rights Issue or other issues of equity.

The Company also has the prospect (from informal discussions) of obtaining a waiver or deferral of expenditure requirements from the Northern Territory Department of Primary Industry, Fisheries and Mines. As a worse case scenario, if funds were not received and expenditure requirements not met the Company may be be forced to sell or forfeit some of its permits or tenements.

2. ISSUED CAPITAL AND OPTIONS RESERVE

	31 December 2008 $	30 June 2008 $
Issued Capital		
257,013,526 ordinary shares	39,919,512	39,234,061
(30 June 2008: 252,308,265 ordinary shares)		
Share Options Reserve		
141,447,703 share options		
(30 June 2008: 142,147,703 share options)	5,848,818	5,839,643

	31 December 2008 $	31 December 2008 No. of Securities
Movements in ordinary shares on issue:		
At 1 July 2008	39,234,061	252,308,265
Placement of rights issue shortfall at $0.15	705,789	4,705,261
Transaction costs	(20,338)	-
Balance at end of period	39,919,512	257,013,526
Movements in share options on issue:		
At 1 July 2008	5,839,643	142,147,703
Cancellation of options exercisable at $0.30 each	(63,929)	(3,400,000)
Vesting of 31/1/2010 options exercisable at $0.25	1,436	-
Vesting of 30/11/2010 options exercisable at $0.30	10,544	-
Vesting of 31/03/2011 options exercisable at $0.30	2,045	-
Issue of 31/7/11 options exercisable at $0.33 each	15,382	200,000
Issue of 31/08/11 options exercisable at $0.30 each	21,628	500,000
Issue of 17/11/11 options exercisable at $0.25 each	22,069	2,000,000
Balance at end of period	5,848,818	141,447,703

3. PROPERTY, PLANT AND EQUIPMENT

During the half-year ended 31 December 2008, the Group acquired assets at a cost of $25,178 (half-year ended 31 December 2007: $20,195).

4. SHARE-BASED PAYMENTS

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:

2008

During the period under consideration 2,700,000 share options were granted to employees under the Employee Incentive Share Option Scheme. The exercise price is between $0.25 and $0.33 each, exercisable between 18 July 2008 and 17 November 2011.

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 30 November 2010.

5. SEGMENT INFORMATION

The Group operates in the petroleum exploration industry in Australia.

6. CONTINGENCIES AND COMMITMENTS

The Group has Exploration expenditure commitments on various permit and tenements held in Australia amounting to an estimated value of $24,480,000. The Group has minimum exploration commitments over the next 12 months of $2.7 million.

The Group has extended its office lease for 3 years from 1 March 2009 at an annual cost of $202,162 and total commitment of $606,484.

EPA 129 : On 16 June 2008, The CLC initially refused to consent to grant the permit on the grounds that the Group had submitted an inadequate Section 41.6 description of the exploration works planned. Subsequent to that, on application to the Minister responsible for the Northern Territory Regional Development Primary Industry Fisheries and Resources Department, the Group was granted an extension of the right to negotiate with the CLC and Traditional Owners and a revised Section 41.6 description of exploration works was forwarded to the CLC to enable negotiations to continue. EPA 92 : On 10 December 2007, the CLC wrote to inform the Group that its application for the grant of EPA 92 had been refused. Subsequently, citing abuse of process, the Group lodged an application with the Federal Court of Australia for a review of the decision under the Administrative Decisions Judicial Review Act 1977 (Cth) (ADJR) and s39B of the Judiciary Act 1903 (Cth). The CLC has been ordered by the Court to provide reasons for its decision to refuse to consent to the grant. At the time of writing of this Half-Yearly report, the CLC has not provided its reasons in contravention of the Court Orders and the matter has been relisted.

As the above permits are both applications no financial loss to the Group can be attributed, however, the Group will possibly incur legal costs if the dispute goes to trial before the Federal Court. If this occurs, and if the Group was ordered to pay the costs of the CLC then a worse case scenario of legal costs for both sides is estimated at $570,000. No provision has been made in the half year accounts for these costs. The Group can terminate proceedings at anytime.

7. SUBSEQUENT EVENTS

On 16 January 2009, the Group announced to the market a farm-in deal whereby private resources explorer, Trident Energy Limited, paid $550,000 to earn a 10% stake in EP115 in the northwestern Amadeus basin, west of Alice Springs.

On 16 February 2009, the Group announced to the market a farm-in deal whereby private resources explorer, Trident Energy Limited, will pay, subject to grant, up to $3 million of seismic work as well as 20% of the initial cost of 3 wells in EPA111.

8. SUBSIDIARIES

A new wholly owned subsidiary Merlin Coal Pty Ltd was incorporated on 3 December 2008 with an issued share capital of $1.

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

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 consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and 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 and Other Financial Reports 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 2008 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 16 March 2009.

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 2008 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)

Stantons International

K. Lingard
Director
West Perth, Western Australia
16 March 2009

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

16 March 2009

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 2008, 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)

K. Lingard
Director

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Julian Tambyrajah Ass. Dip. Bus. Admin, BCom, ASA, ACIS

REGISTERED OFFICE

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

AUDITORS

Stantons International
1st Floor
1 Havelock Street
West Perth
Western Australia 6005
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