

central petroleum LIMITED

ABN 72 083 254 308

Annual Report 2011

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

CONTENTS

Corporate Directory	2
Chairman's Letter	3
Directors' Report	5
Auditor's Declaration of Independence.....	31
Corporate Governance Statement	32
Financial Report	39
Directors' Declaration.....	76
Independent Auditor's Report.....	77
ASX Additional Information	79
Interests in Petroleum Permits and Mineral Licenses.....	81

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

CORPORATE DIRECTORY

DIRECTORS

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

CHIEF FINANCIAL OFFICER AND JOINT COMPANY SECRETARY

Bruce Elsholz BCom CA

GROUP GENERAL COUNSEL AND JOINT COMPANY SECRETARY

Daniel CM White LLB BCom LLM

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

PricewaterhouseCoopers
QV1
250 St Georges Terrace
Perth
Western Australia 6005

BANKERS

Westpac Banking Corporation
South Shore Centre
Mends Street
South Perth
Western Australia 6151

SHARE REGISTRAR

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth
Western Australia 6000
Telephone: +61(0)8 9323 2000
Fax: +61(0)8 9323 2033
www.computershare.com.au

STOCK EXCHANGE LISTING

Central Petroleum Limited shares and options are listed on the Australian Securities Exchange Limited under the codes 'CTP' (shares) and 'CTPO' (options).

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

CHAIRMAN'S LETTER

Fellow shareholders,

Early in the New Year, I issued a quite detailed and comprehensive review of your Company's activities for the half year to December 2010, together with an indication of the planning for the current year. This was mailed out to then current shareholders and posted on the ASX announcements list as of 20 January 2011 where it may be accessed by those more recent. For the present I will address the various subsequent developments

Let me start with the main highlight, which is of course the forthcoming drilling campaign and for which an Letter Of Intent has been concluded with Australian Drilling Services. This program as announced 5 August 2011 is planned to commence with the re-entry and completion of Surprise-1, followed by the drilling of Madigan-1 (a major oil prospect in the Pedirka Basin), and Mt. Kitty-1 (a sub-salt gas/condensate/helium prospect). Although this program may be subject to variation as a result of continuing prospect evaluations, logistics and weather, the re-entry and flow testing of Surprise-1 remains the first priority.

Surprise-1 is a highly significant well and worthy of special mention, having exhibited strong oil shows while drilling the Stairway sandstone, in which a 9 m core was successfully cut and retrieved. The base of this core was still in sandstone with almost 100% hydrocarbon fluorescence and to visual inspection contained abundant oil. Laboratory measurements determined a peak permeability of between 400 and 500 mD. If sufficient oil saturation is present, and this remains to be confirmed, independent calculations suggest a production capability in the vicinity of 1,000 barrels per day. It was during an attempt to establish a free oil flow from this interval when the rig incident occurred and the well was suspended. The underlying Horn Valley siltstone (source rock and possible unconventional reservoir) and the Pacoota sandstone (the primary objective), remain to be tested.

Except for the completion of some coal tests, there have been no field operations since January other than relatively recent preparatory works for the drilling campaign, but the on going interpretation of new data including recent seismic survey has delivered a number of very significant and encouraging outcomes including the recognition of underlying Devonian carbonate plays at the Madigan and Simpson East prospects, the interpreted Devonian reef plays along the Pellinor Trend and the recent most prospective interpretation of the Lander Trough area where your Company has a major interest. These studies are available in detail for download on the Company web site.

We continue to regard the coal discoveries as a major asset, and independent studies conclude that conversion of the coal to liquid transport fuels is not only feasible but economically highly attractive. However it is acknowledged that this is an area requiring additional skills and experience and consequently your Company has entered into an agreement with Allied Resource Partners Pty Ltd, whereby they assume the responsibility for commercialization of these deposits. Progress milestones have been agreed and are being monitored.

Independent assessments of the undiscovered potential oil and gas resources in the Company's holdings, both conventional and unconventional, have been commissioned and delivered and are available as downloads from the Company website as well as being referenced later in this Report. Even though the key inputs were estimated on a most conservative basis, the results are outstanding as are the valuations that follow from these, and indicate that a major re-ranking of the Company's shares would be justified.

Your Company has a wealth of exploration plays, not least the emerging unconventional plays where long reach horizontal drilling and multistage fracturing enables commercial production from otherwise tight non-reservoir quality formations. These techniques have revolutionized gas markets in North America and are now being tested world wide. There appears to be good reason to expect that similar success is possible in Australia and moreover in your Company's holdings in the Amadeus and particularly the Georgina Basins. To this end, recent senior management recruiting has been directed towards candidates with relevant direct experience.

Nevertheless it remains the case that until exploration success delivers a cash flow, the conduct of the operations is reliant upon funding from either farmout or continuing support from investors. The former is dilutive in terms of company equity holdings, the latter potentially in terms of shareholder ownership in the company, and whereas farmout does deliver a spreading of the risk it also results in a commensurate reduction in the success case reward. Your Company continues to engage with potential farminees, but to enable immediate operations must also have recourse to the market, in which context I would remark that the rolling bond facility which had been unused for some time has now been terminated by the Company.

Instead, and as has been announced, the Company is pursuing a listing on the Toronto Stock Exchange (the TSXV) and has committed to the services of Canaccord Genuity Corporation and Comark Securities Inc. to act as financial advisers in this regard. International consultants Ryder Scott (Canada) have been engaged to provide the necessary independent reporting. When concluded this will allow the Company to access a vastly larger investor base to the anticipated benefit of all shareholders.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

CHAIRMAN'S LETTER

Usually in conclusion I speculate on the oil price, but not this time, other than to note that Brent and Tapis are around the US\$120 per barrel mark, WTI at \$87 as I write. What I will do is review some drilling histories.

In the Cooper Basin the first commercial discovery was Gidgealpa-2, the ninth well to be drilled, although the third well in the basin (Dulingari-1) was initially classified as dry but subsequently found to have oil in the Cretaceous and gas in the Permian and later developed.

In the Amadeus Basin, the third well (Mereenie-1 1964) and the fifth (Palm Valley-1 1965) were both commercial discoveries. Interestingly Surprise-1 is your Company's third well in the Amadeus, while Madigan-1 or an alternative will be our third in the Pedirka.

All of our wells have had results confirming the presence of active petroleum systems, and we await the outcomes of Surprise-1 and our further wells with what I believe is well placed optimism.

Dr. Henry J. Askin
Chairman.
Melbourne, 30 September, 2011

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

Your directors present their report on the consolidated entity, consisting of Central Petroleum Limited ("Company" or "CTP") and the entities it controlled (collectively "the Group" or "the Consolidated Entity") at the end of, or during the year ended 30 June 2011.

Directors

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

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

All directors have held office since the start of the financial year to the date of this report.

Principal activities

The principal activity of the Consolidated Entity during the financial year was the exploration for hydrocarbons, helium and coal/coal seam gas.

There was no significant change in the nature of the Consolidated Entity's activities during the year.

Operating result

The Consolidated Entity had an operating loss after income tax for the year ended 30 June 2011 of \$36,643,523 (2010: \$11,809,727).

At 30 June 2011 consolidated cash reserves available totalled \$9,463,949 (2010: \$37,529,579).

Dividends

No dividends were paid or declared during the financial year (2010:Nil). No recommendation for payment of dividends has been made.

Corporate objectives

These can be summarised as:

1. Crude oil/condensate discovery and sales for early cash flow.
2. Gas/helium/condensate discovery for intermediate term cash flow from cryogenic helium export and local "mini" LNG (liquefied natural gas) production for the transport and local mining industry.
3. Longer term value adding to gas via GTL (gas to liquids) and/or LNG for domestic and export markets.
4. Long term monetisation of coal via mining, beneficiation and export, UCG (underground coal gasification) and value adding via GTL or other processes and possible mining and conversion to GTL products via CTL (coal to liquids).

It is planned to explore and develop the Group's coal assets in a joint venture structure with incoming joint venture partners managing and funding 100% of exploration and bankable feasibility studies to earn an interest and then for the Group to fund its participating interest at project funding stage. This approach if successful will allow the Group to focus on its core interests of oil, gas, condensate and helium discovery and monetisation. This would be assisted by farmouts and subsequent joint ventures from exploration all the way down the value adding chain to point of sale as appropriate.

The Group's main goal is to discover and produce hydrocarbons and helium, thereby maximising shareholder returns by enhanced share value and potentially by dividend payments. It aims to operate a central Australian oil and gas hub connected to appropriate infrastructure to allow the export to domestic and overseas markets of both primary energy resources and value added hydrocarbon and helium products.

The Group's immediate focus is crude oil and condensate discovery and monetisation for potential early cash flow with future value adding for any gas discoveries via conversion to liquid transport fuels and/or LNG. Within the constraints of land access, sequence of grant and the inherent constraints of joint ventures the Group's focus

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

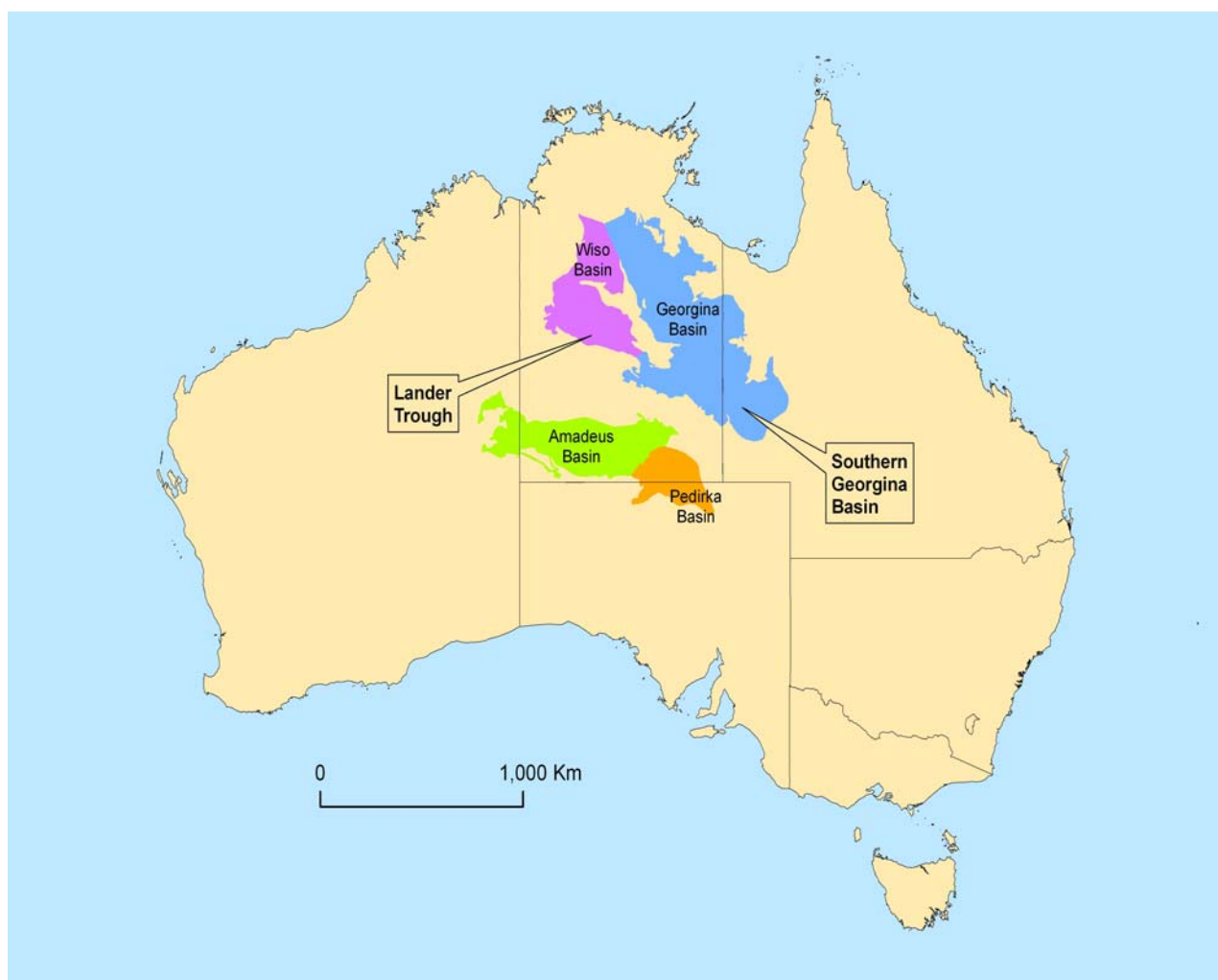
DIRECTORS' REPORT

30 JUNE 2011

has not changed. Early cash flow from any oil discoveries may initially be possible simply via trucking to port facilities at either of Port Darwin or Port Bonython with later development potential lying in additional pipeline facilities and/or bulk liquids haulage on the rail system connecting central Australia with port facilities.

Early cash flow may also be possible from helium and "mini" LNG production and sales and this is regarded as an intrinsic part of the Group's overall strategy for relatively short term cash flow. In the longer term the Group is seeking to build gas resources to a threshold point where value-adding processes via the conversion of gas into liquid transport fuels (GTL) and/or LNG can be brought into play.

Apart from conventional oil and gas reservoir potential, the Group has significant areas prospective in unconventionally reseroired oil and gas potential in the Group's acreage in the Amadeus Basin and the Southern Georgina Basin. 16 billion barrels of oil equivalent at "mean" prospective recoverable resource level have been independently estimated.



Central Australia Basins

Several areas in central Australia with unconventional potential have recently received significant investor attention due to the involvement of companies such as the North American groups Hess, PetroFrontier, Rodinia and TME. Independent (Ryder Scott) estimates of prospective recoverable resources of up to 27 billion barrels of oil at P50 level have been made in permits adjoining the Company's acreage.

Recent developments in the worldwide coal sector and coal discoveries by the Group in its vast Pedirka Basin mineral leases have led to interest from various groups in the Group's potential coal resources with monetisation pathways being evaluated including coal mining and beneficiation for export, coal to liquids (CTL) and

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

underground coal gasification (UCG) with gas to liquids value adding to any gas produced such as gas to liquids (GTL) processing.

The Group holds a 100% working interest in all of its permits and application areas other than the Simpson, Pellinor, Bejah and Dune prospect blocks within EP 97 where the Company has a farm-in agreement with Rawson Resources Limited, and the Mt Kitty and Magee prospect blocks within EP 125 and EP 82 respectively which are the subject of a farm-out to Oil and Gas Exploration Limited (previously known as He Nuclear Limited).

The Group continues to seek potential joint venture participants with the financial capacity and the will to explore the vast prospective acreage at its disposal and is focussing its efforts on large companies and majors. This is a shift away from previous joint ventures involving smaller partners who in the past have had difficulty in funding their share of the various joint ventures that the Group had entered into. Interest in the Group's acreage which is believed to contain commercial quantities for conventionally and unconventionally reservoired hydrocarbons, helium and coal continues. Prospective exploration acreage values in the energy industry, particularly in the overlooked central Australian basin areas are escalating rapidly so the Group is determined to extract maximum value for its shareholders in any deal being contemplated.

In order to deliver the best possible results from its recent round of seismic acquisition and this next round of drilling, the Group has recruited strongly during the year with considerable focus placed on well credentialed and experienced technical staff, including in particular, North American unconventional exploitation experience.

The Group entered into a business arrangement with Allied Resource Partners Pty Ltd ("ARP") designed to facilitate the further exploration of its coal resources. The Company and ARP have entered into a Deed of Co-operation to oversee the sourcing of funding and technology for a series of underground coal gasification ("UCG") and or gas to liquids ("GTL") projects. Further details of this arrangement are provided below under the heading "Forward Exploration and Development Plans".

Recent valuations

Recent valuations of the Group's exploration potential underscore how undervalued the Company's securities are. Bakers Group have presented a lowside valuation of the Pedirka Basin coal UCG potential of \$2 billion, a short term share target price based on the Group's short term drilling plans of \$0.48 per Share and Mulcon Pty Ltd have valued the Group's unconventional potential at \$412 million for the upstream component and \$5 billion for the downstream component based solely on unconventional resource potential in a report announced on 1 September 2011. An additional Bakers Group valuation has quoted a medium to long term diluted share trading price of \$1.75 to \$2.16 per share.

Capital Raising

The Company completed a share placement on 15 September 2011. A total of 91 million shares were placed at 5.5 cents per share raising additional capital of approximately \$5 million. The Company concurrently announced a Share Purchase Plan, also at 5.5 cents share, to provide existing shareholders the opportunity to invest at the same price as the placees. The Share Purchase Plan is underwritten by Patersons Securities Limited for \$5.5 million and has a closing date of 20 October 2011.

TSXV Listing

On 22 August 2011 the Company committed to the services of Canadian investment banks Cormark and CanaccordGenuity to act as co-lead managers, joint bookrunners and agents for the Company's planned listing and associated capital raising on the Toronto Stock Exchange Venture Exchange (TSXV) in the final quarter of calendar year 2011 or early 2012.

Considerable upside exists for shareholders from current share price levels by leveraging the Company into a broader North American peer group, thereby increasing its access to capital and broadening the base of potential investors. A TSX listing could put the Company in a better position to secure a major JV partner with unconventional experience as well as securing a cornerstone investor or investors.

The Toronto Stock Exchange (TSX) is the largest market in the world for mining and resource stocks in terms of dollars invested and number of companies.

Review of operations and activities

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

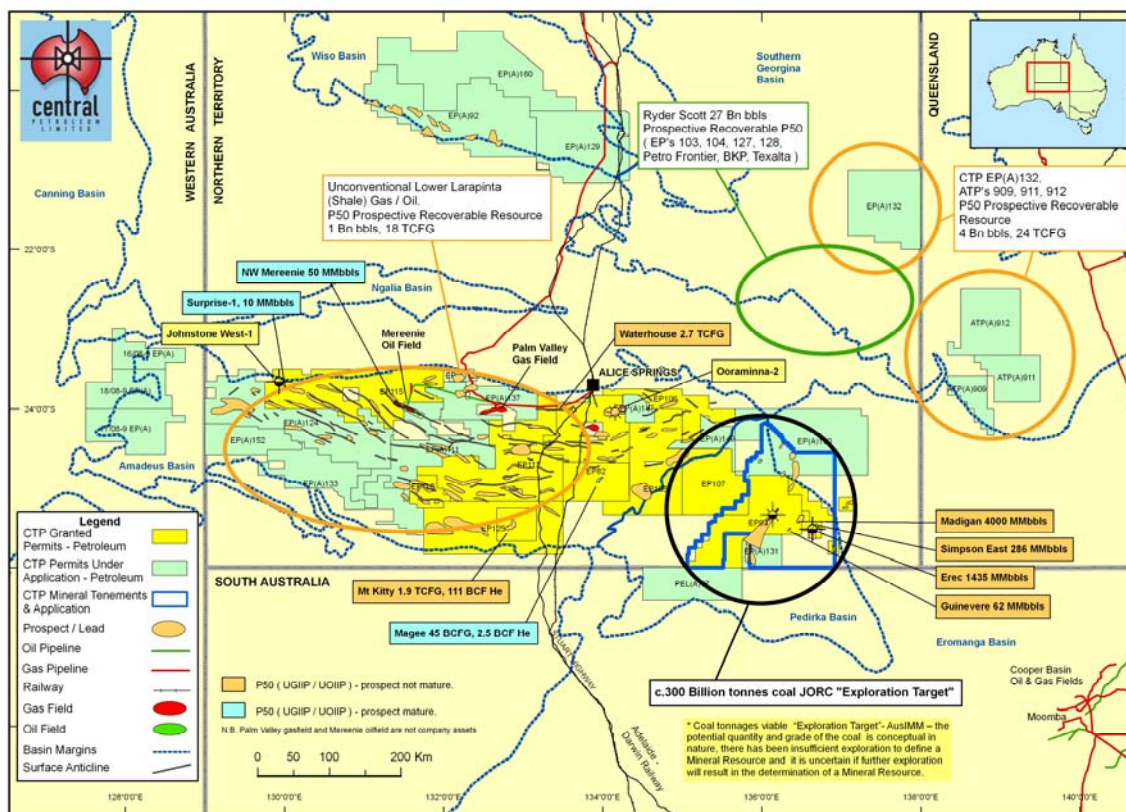
Despite these sometimes difficult conditions the Group did complete its three well drilling programme in the Amadeus Basin exploring for conventional hydrocarbon targets. The Group continued with its 2009 / 2010 seismic programme until it was interrupted by seasonal and monsoonal rain. Following the completion of these

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

drilling and seismic programmes the focus turned to completing various studies and evaluation reports and on planning for its forward exploration campaigns in conventional and unconventional oil and gas horizons.



Petroleum and Mineral Granted Licence and Application Interests of Central Petroleum Limited

Oil and Gas operations

Future Drilling and Seismic Plans

The Company has planned up to a three well drilling programme for the year commencing with the re-entry of Surprise-1 Sidetrack-1. It is planned to re-drill certain sections to gain fresh samples, pressure gradients, electric logging and hopefully flow testing. It is planned to drill at least as deep as the primary target, the Pacoota Sandstone before electric logging and full well flow evaluation. It is anticipated that the well will be re-entered in October 2011 subject to a rig contract

The prospects slated for drilling in 2011 subject to various contingencies are the Surprise-ST1 prospect, thought to have oil potential ("best" or P50 UOIP 10 MMbbls) in both conventional and unconventional horizons; the Mt Kitty-1 prospect, a sub-salt 2 TCFG UGIP ("best" or P50) gas/condensate/helium prospect and Madigan-1 or Simpson East, two large Pedirka Basin oil prospects based on preliminary mapping of new seismic acquired in 2010.

Seismic acquisition and future drilling plans over a number of play types are also being evaluated inclusive of the Surprise-Johnstone area in EP 115 for conventional and unconventional oil exploration or development, the Madigan and Pellinor Devonian reefal carbonate plays in the Pedirka and, subject to grant, unconventional and conventional oil and gas potential within the Company's Southern Georgina Basin Arthur Creek Shale and Thornton Limestone plays. The Company's Queensland ATPs 909, 911 and 912 immediately adjacent to PetroFrontier's Southern Georgina Basin, are anticipated to be granted during the second half of 2011 and may receive early attention from the Company. EPA 132 in the Northern Territory also has considerable unconventional potential but its granting date is difficult to forecast.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

The Company's Lander Trough permits, EPAs 92, 129 and 160 cover 11 million acres of ground entirely within the early oil to very early gas window of maturation and have demonstrated chronostratigraphic equivalent formations to the Southern Georgina Arthur Creek Shale and Thornton Limestone unconventional plays.

Activities in the Year ended 30 June 2011

Drilling

Ooraminna-2 (EP 82)

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

The Ooraminna-2 well reached a true vertical depth (TVD) of 1,622.2m and the MB Century Rig 7 was released on 7 August 2010 to be deployed at the Johnstone West-1 drilling location in EP 115. The drilling of Ooraminna-2 was a "technical success" with a stabilised gas flow to surface of 152,000 standard cubic feet of gas per day from a tight reservoir zone. The total area of the prospect structure may be over 1,000km² extending in to the contiguous permit application EPA 147 and the Group believes it may have potential for additional exploration and development, possibly employing horizontal drilling and/or fracking techniques. It is possible that there is potential for free flowing gas without well stimulation from other parts of the prospect remaining virtually unexplored to date. The granting of EPA 147 has been initially refused by the Central Land Council but the Group is hopeful of re-commencing negotiations within the moratorium period.

Subsequent to drilling the well, gas analyses of samples taken during the drilling of Ooraminna-2 (EP 82) showed a helium content of 0.22% and a nitrogen content of 10.5%. Such an analysis result may point the way to commercial helium production. If this helium were to be extracted with the nitrogen from the total gas composition then the resultant extracted gas would have a nitrogen content of 97.9% and a helium concentration of around 2.1%. Helium extracted at the BOC-Linde Group helium plant at Port Darwin has a reported average helium concentration of c.3% after commercial quantities of natural gas are extracted.

Johnstone West -1 (EP 115)

The Johnstone West-1 well was spudded on 19 August 2010 with a planned total depth (TD) of 1,367m in the Goyder Formation. The well reached a TD of 1,666.0m in the lower Pacoota Sandstone and following flow testing the MB Century Rig 7 was released on 5 October 2010. There were multiple oil targets as well as shale oil/gas targets. The well penetrated continuous intersections of 128m based on show descriptions. Prior to flow testing, electric log analysis and drilled cuttings analysis on site showed an approximate net "pay" zone of 15m from 1,470m to 1,485m which was thought likely to flow to surface. Excellent oil shows with evidence of good porosity, live visible oil in samples, oil slicks mixed with drilling mud and very high oil saturation in fluoroscopic and visual examination in natural light over this interval were recorded and there were other shows of lesser significance within the hydrocarbon column. The results of flow testing however were profoundly disappointing and not anticipated. The formation fluids did not flow to surface but 18 barrels of saline formation fluid without significant hydrocarbons were recovered from the production tubing. The conclusion reached thus far is that the well had been drilled at the edge of potential closure and the oil shows tested represented an oil-water transition zone.

The most significant result of the well is that it confirmed the presence of "live" oil in an area previously undrilled. Johnstone West-1 was the first exploration well to be drilled west of the Central Ridge which is a major basement feature in the Amadeus Basin. The well confirmed the Johnstone Trough as a productive source kitchen area and a conservative estimate of the incremental Horn Valley Siltstone kitchen area is 1400 km², west of the Central Ridge. The oil shows at JW-1 are possibly the most geologically significant oil shows encountered in the Amadeus Basin since the original oil discovery well at the Mereenie Field, West Mereenie-1 drilled in 1963.

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

Surprise-1 (EP 115)

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

Although the prospect was considerably smaller than the Johnstone West-1 prospect in anticipated areal closure, with an estimated "high" UOIP of 50 MMbbls and an estimated mean fully risked UOIP of 6 MMbbls, it is located

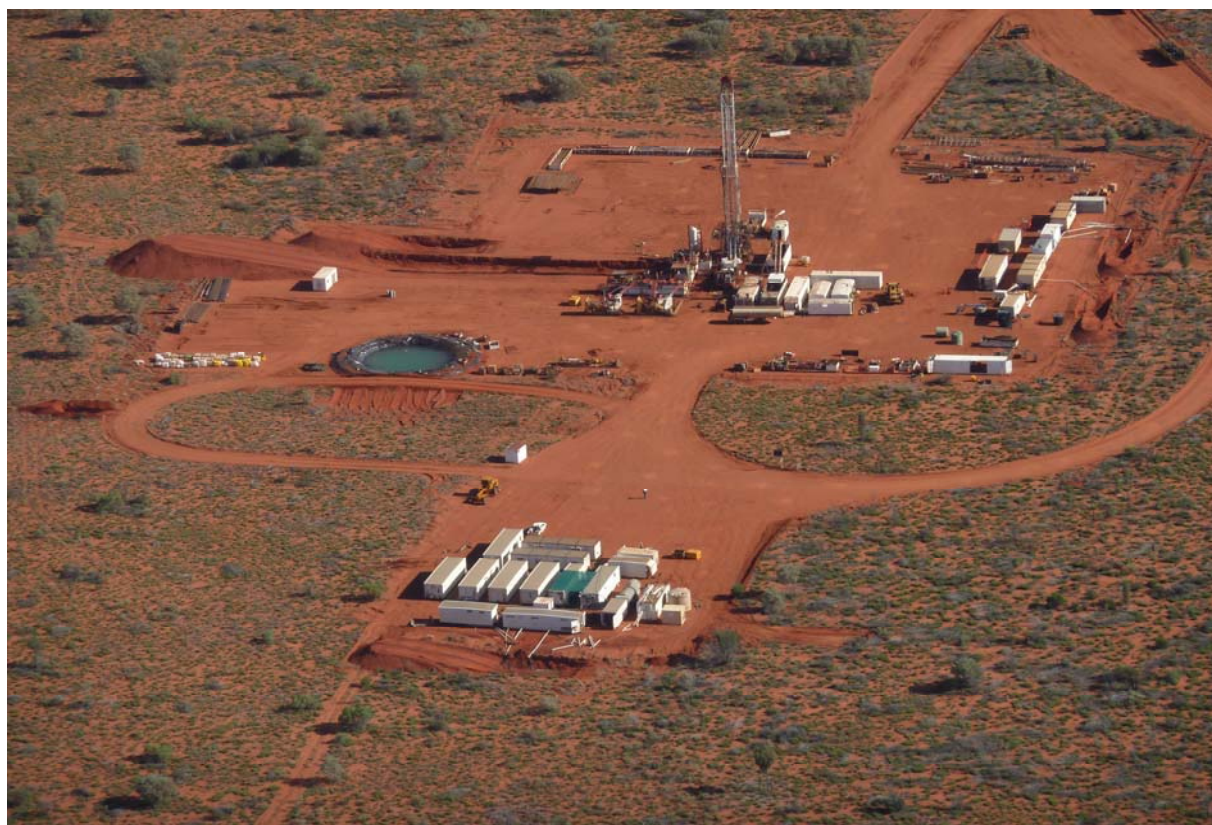
CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

in what was thought to be in a geologically more favourable location with much shorter postulated migration distances.

In December 2010 the Group attained a milestone in its corporate objectives with the discovery of significant oil shows in this well in the north western Amadeus Basin.



Surprise -1 rig on location in EP 115 Northern Territory

The well spudded on 11 October 2010 with a planned TD of 3,016m (extendable subject to drilling results). A core that was successfully retrieved from 2546.2 – 2554.4 mRT (depth below rotary table) was analysed to determine the relevant properties particularly porosity and permeability. Major fractures were observed in the zones 2547 – 2550 m and 2551 – 2554 m RT, the uppermost zone showing an abundance of light brown free oil with a sample from the trip tank of darker oil with a API gravity of 26 although this sample was contaminated considerably with insect remains from the open topped tank. Significantly, the core ending in sandstone exhibited close to 100% fluorescence attributed to the presence of oil, with the base of the Lower Stairway Sandstone yet to be reached.

The well was prematurely suspended for re-entry at a future time due to problems with the drilling rig. The rig and associated equipment together with service companies were successfully demobilised from site.

On 31 March 2011, the Company announced it had initiated legal proceedings against Century Energy Services Pty Ltd (“Century”) to protect its interests. The proceedings follow an unplanned incident which occurred during the drilling of Surprise-1 in EP 115 whereby the monkey board and 129 stands of racked drill pipe twisted around the rig mast by thirty degrees whilst the wireline sheaves were being repositioned. This incident resulted in the Company having to necessarily terminate the drilling contract with Century for performance related issues.

An interim application in respect to the dispute was heard in the Supreme Court of Western Australia on 5 July 2011 in respect to an application made by the Company for an injunction restraining Century from demanding or obtaining payment under a Banker's Undertaking. Central had provided the Banker's Undertaking as security for payment for drilling services provided by Century between May and December 2010.

Century had initially claimed that it was entitled to be paid an amount of \$795,649.36 in addition to the amounts already paid for services provided up to the point of termination of the contract. While the Court decided against

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

granting an injunction on 28 September 2011, Century has through the process reduced its claim to between \$312,282.66 and \$358,832.66.

In respect to Century's claim for payment, Central says that it has a claim arising from the breakdown and termination which is for a far greater sum. It has made a claim against Century and MB Century Drilling Pty Ltd ("MBC") for costs incurred as a result of the breakdown and termination, and for the likely costs associated with the logistics and the re-entry and drilling of Surprise 1 to the depth reached at the time of termination of the contract with Century in December 2010. Central has commenced arbitration proceedings in connection with this claim. Century and MBC have disputed Central's claim.

The Company announced on 29 September 2011 that the Company and Century were engaged in amicable discussions in an attempt to resolve these issues without the need for continuing arbitration proceedings. If these discussions do not lead to an agreed resolution, these issues will be resolved by arbitration, which would likely occur in April 2012.

Subsequent independent tests on the core by RPS Energy concluded that the cored zone had potential to flow at up to 1,000 barrels per day although electric logging, pressure gradient, flow testing and other work needs to be done to confirm this.

Current planning entails the re-entry of the well, coring of the Horn Valley Siltstone (a potential shale gas/shale oil target of wide spread distribution in the Amadeus Basin) and deepening through the main Pacoota Sandstone objective to at least the top of the Neoproterozoic section. Additional cores will be acquired for detailed analysis in order to evaluate the prospect's unconventional potential. Subject to flow testing and other results, if successful, the well will be completed as an oil producer with the aim of developing initial cash flow by simple field based separation and treatment followed by truck transport to export facilities at Port Darwin. Subject to successful flow parameters, it is thought that cash flow could be developed within 6-12 months of such successful flow testing.



Core taken at Surprise-1, December 2010, Depth 2051-2052m RKB

Seismic

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

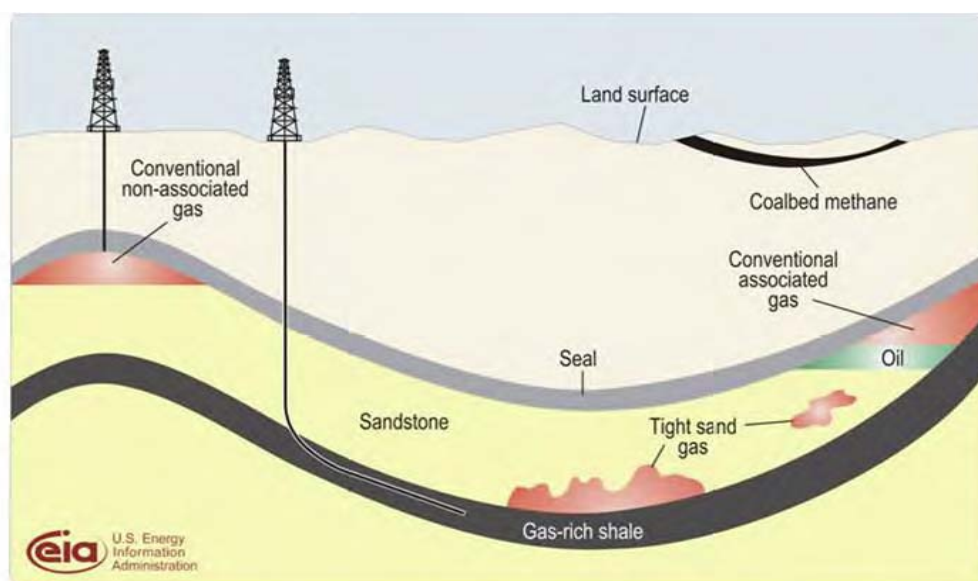
CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

Studies and Reports

The Company released various reports throughout the year. There were two separate independent reports on the unconventional reservoir resource assessments of the Group's permit areas – one for the Amadeus Basin and the other the Georgina Basin.



Schematic of unconventionally reservoired hydrocarbon models

Lower Larapinta Group - Amadeus Basin

DSWPET Pty Ltd, an independent consulting group has concluded that the Group has “mean” prospective recoverable resources of 26 Trillion Cubic Feet of Gas (TCFG) and 1 billion barrels of oil in the Lower Larapinta Group sediments in permits and applications operated by the Company within the Amadeus Basin.

The Arthur Creek Formation – Georgina Basin

This study, also from DSWPET Pty Ltd, concluded that in the Group's Southern Georgina Basin permit applications, there is a total “mean” prospective recoverable resource of 5 billion barrels of oil and 33 trillion cubic feet of gas over the Group's net acreage position of 6 million acres, subject to the granting of the permits concerned.

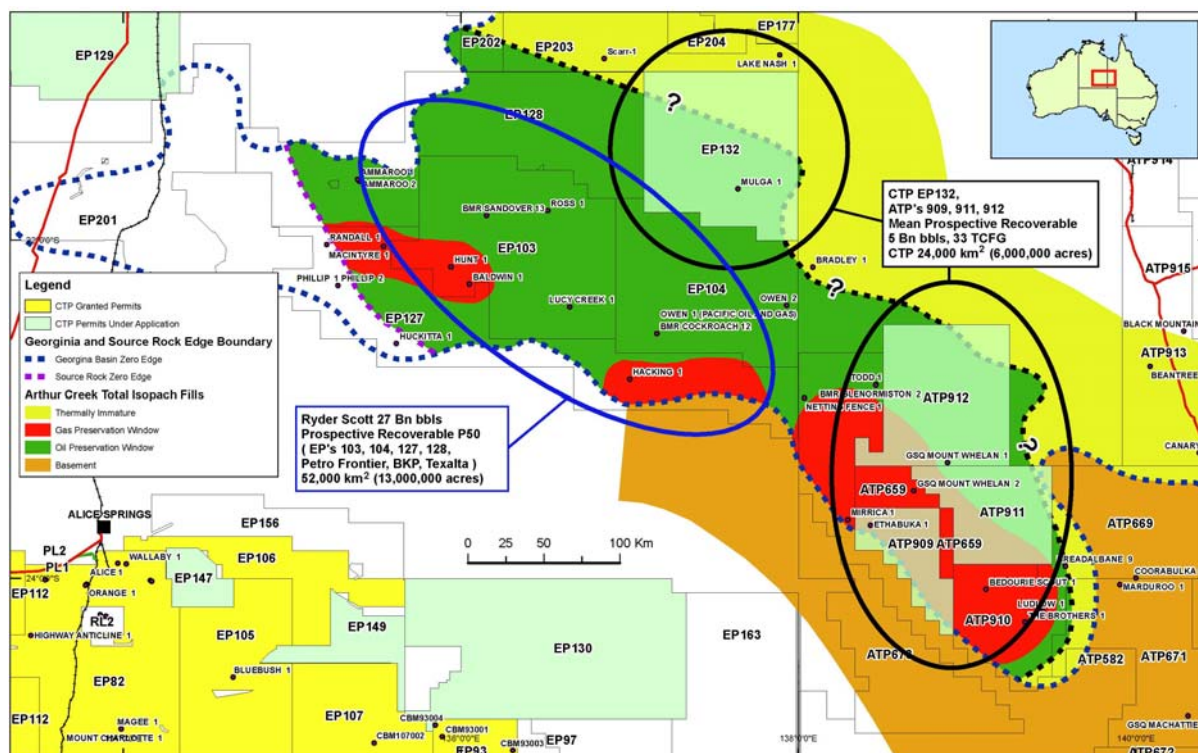
Overall, the independently derived resource estimates for unconventionally reservoired hydrocarbons in the Group's acreage translates to some 16 billion barrels of oil equivalent at “mean” estimate, with the Group enjoying a 100% net acreage position less certain production royalties in the mix of granted permits and applications it operates.

According to DSWPET, although the resource estimates for these unconventional plays will require significant amounts of seismic, drilling and testing to potentially confirm or re-define, the Group's recoverable resources at “mean” level in the Group's permits and applications in the Amadeus and Southern Georgina Basins rival the well established Bakken and Barnett Shale plays in North America which are rapidly assuming a dominant position in onshore North American oil and gas production. The North American companies have been successfully exploiting unconventional resources for over a decade and the Company believes that access to capital, technical know-how and ultimately appropriate equipment and crews will flow to Australia to aid in exploration of ground held by various companies including Central Petroleum Limited.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011



The Group's interests in the Southern Georgina Basin

Devonian Reef/Platform Carbonate Oil Plays

The Company has interpreted carbonate complexes underlying the Permian sediments of the Pedirka Basin. The play types largely lie within the EP 97 Simpson and Pellinor Prospect Blocks where the Group holds an 80% interest with co-venturer Rawson Resources Limited holding the balance.

Current mapping of the Madigan Prospect (likely to be drilled in the Group's next drilling campaign) and the Simpson East Prospect infers that both have underlying Devonian sediments. The P50 or "best" estimates of UOIP potential in the Madigan Prospect is 4 billion barrels and in the Simpson East Prospect is 350 million barrels.

Lander Trough Oil Play

The Company's Technical Report on the Lander Trough Oil Play concluded that results of maturation studies are encouraging for the search for both conventional and unconventionally reservoired oil in the Group's Lander Trough acreage where the Group holds up to 11 million acres.

Studies have confirmed that stratigraphic equivalents of Middle Cambrian source rocks from the Georgina Basin (the Arthur Creek Shale and the Middle Thornton Limestone) occur in the Lander Trough of the Wiso Basin.

In the Lander Trough, the dominant oil generation rate occurred in the Ordovician as is the case for analogous source rocks to the east in the Georgina Basin. A second pulse of oil generation occurred during the early Alice Springs Orogeny (Siluro/Devonian).

Fractured Basement Plays

The Company recently released a paper on Fractured Basement Hydrocarbon Plays and "Buried Hill" Plays in central Australia. In this paper, basement is regarded as any metamorphic or igneous rock which is unconformably overlain by a sedimentary sequence.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

These fractured crystalline basement terranes occur in various parts of the world but are completely unexplored in central Australia despite favourable geological criteria in several basins. The Group's holdings in the Amadeus, Georgina and Pedirka basins include specific areas where structurally deformed crystalline basement terranes have potential to reservoir hydrocarbons.

The fractured basement play type may produce some exciting targets in subsequent exploration campaigns.

Helium Targets

The Group is involved in a joint venture in the Mt Kitty and Magee prospect blocks in the southern portion of EP 125 and EP 82 respectively and has reason to believe that the area has potential to host volumes of gas, condensate and helium with a concentration of 5% or more. The Magee 1 well, drilled by Pacific Oil and Gas in 1992 flowed such a gas mixture to surface with a helium concentration of 6.2%, unusually high, from the subsalt Heavitree Formation. The Group and its joint venture participant, Oil & Gas Exploration Limited (previously He Nuclear Limited) have completed additional seismic over the Magee prospect and other prospects in the area as part of the Phase One 2009/10 exploration programme and, the Group is planning on drilling the Mt Kitty prospect in the next round of drilling.

An evaluation of the helium potential at Ooraminna has been given above in this report where the results of Ooraminna 2 are presented.

Coal Operations

Pedirka Basin Coal

The Group drilled a three stratigraphic coal exploration wells in its mineral tenements in the Pedirka Basin during the year. Further shallow coal holes are contemplated and the programme is contingent upon results gained from time to time.

Coal hole SHEL27109-2 was completed and intersected approximately 42m of net coal seams greater than 1m in thickness. Coal hole SHEL27109-1 was completed and intersected approximately 70m of coal greater than 1m in thickness. Coal hole SHEL28095-1, a step out to relatively unexplored parts of a frontier coal basin, was completed but failed to intersect a coal seam.

The results of the previous drilling campaign for coal seam gas (CSG) were examined by internationally respected independents Netherland, Sewell & Associates Incorporated who reported that although there remained some potential for biogenic CSG, they saw little chance of there being any thermally derived CSG in the Pedirka Basin.

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

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

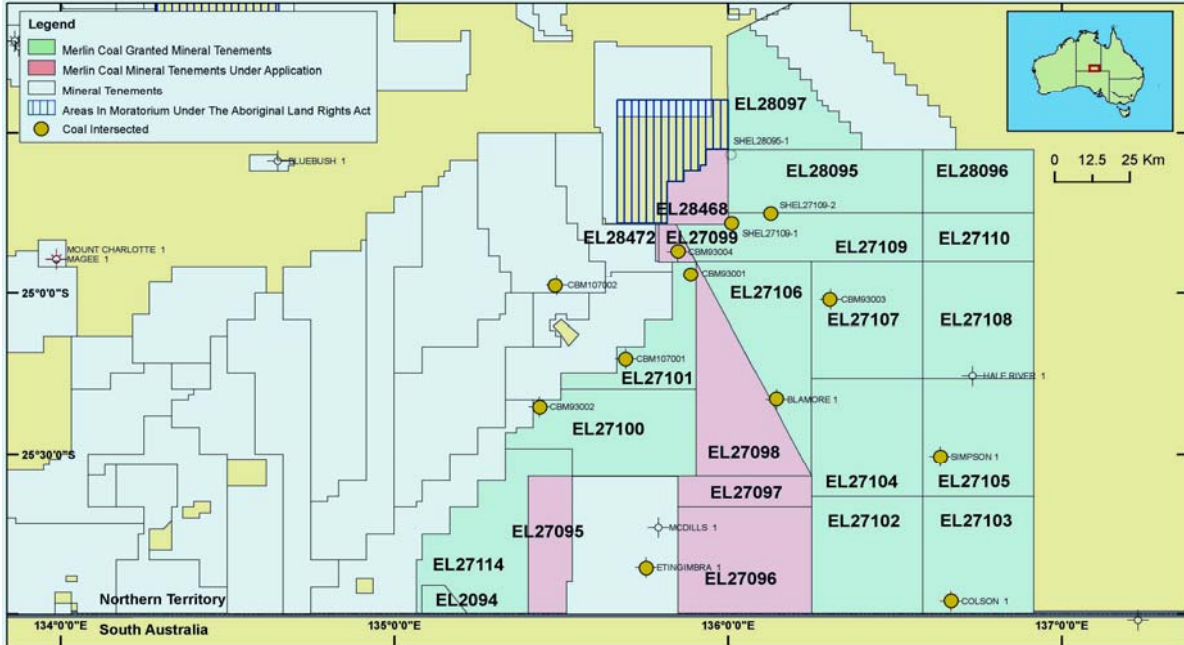
- Specific Energy 5 - 6,000 kcals/kg, or 20 - 25 Mj/kg
- > 300 Billion tonnes 1-1,000m – UCG, underground and open cut mining potential and also CTP potential which is the process of mining coal, gasifying on the surface and running the gas through a Fischer Tropsch GTL process to produce, inter alia,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

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

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011



Drilled intersections of Coal in the Pedirka Basin

Known Coal Intersections Pedirka Basin				
Well	Top Coal (m)	Base Coal (m)	Net Coal >2m	Thickest Seam (m)
CBM93-001	699	1203	139.4	34.6
CBM93-002	514	902	101.7	14.2
CBM93-003	720	835	1.2	1.2
CBM93-004	544	880	153.0	17.7
Blamore-1	1534	2037	111.3	16.9
SHEL27109-1	739	1036	70.3	17.8
SHEL27109-2	822	1170	29.0	6.1
Simpson-1	1721	1699	6.0	6.0
CBM107-001	745	1227	128.3	32.3
CBM107-002	297	471	63.5	21.4
Mt Hammersley	617	845	48.2	6.6
Dalmatia-1	593	641	1.8	1.8
Etingimbra-1	616	626	2.5	2.5
Colson-1	2133	2205	16.2	6.7

Drilled intersections of Coal in the Pedirka Basin. These figures are based on seams over 2m thickness. Figures published in the 2010 Annual Report were based on seams over 1m thickness.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

Geothermal Operations

Geothermal Exploration Permits

During the year the Northern Territory Government awarded Central Geothermal Pty Ltd, a wholly owned subsidiary, three Geothermal Exploration Permits, GEP 27833, GEP 27834, and GEP 27835, for a term of five years. These three permits cover an area of some 11,000 sq km.

Farm-ins /Farm-outs

Red Sky Energy (NT) Pty Ltd

On 30 July 2010 the Group and joint venture participant Red Sky Energy Limited ("Red Sky") agreed to terminate their farm-in/farmout agreement covering all exploration permits and application areas where Red Sky had previously agreed to earn a 10% equity interest by paying certain costs on a 2:1 promote basis. The promote was capped at various levels for seismic and drilling operations. As a result the Group's beneficial interest in each of the permit and application areas increased by the 10%.

Rawson Resource Limited Farm-in Agreement

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

Trident Energy Limited Farm-in Agreement

As a result of Trident Energy Limited's (TRI) inability to pay certain cash calls to cover its commitments within EP 115 and EPA 111, the Group reached an agreement with TRI such that TRI withdrew from the EPA 111 Joint Venture and had until 6 December 2010 to pay outstanding cash calls amounting to \$1.72 million. TRI was unable to make the payment and has withdrawn from the EP 115 Joint Venture.

Great Southern Gas Limited Farm-in Agreement EPA 130

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

General Disclaimer and explanation of terms

Potential volumetrics of gas or oil may be categorised as Undiscovered Gas or Oil Initially In Place (UGIIP or UOIIP) or Prospective Recoverable Oil or Gas in accordance with AAPG/SPE guidelines. Since oil via Gas to Liquids Processes (GTL) volumetrics may be derived from gas estimates the corresponding categorisation applies. Unless otherwise annotated any potential oil, gas or helium UGIIP or UOIIP figures are at "high" estimate in accordance with the guidelines of the Society of Petroleum Engineers (SPE) as preferred by the ASX Limited but the ASX Limited takes no responsibility for such quoted figures.

As new information comes to hand from data processing and new drilling and seismic information, preliminary results may be modified. Resources estimates, assessments of exploration results and other opinions expressed by the Company in this announcement or report have not been reviewed by relevant joint venture partners. Therefore those resource estimates, assessments of exploration results and opinions represent the views of the Company only. Exploration programmes which may be referred to in this announcement or report have not been necessarily been approved by relevant joint venture partners and accordingly constitute a proposal only unless and until approved. All exploration is subject to contingent factors including but not limited to weather, availability of crews and equipment, funding, access rights and joint venture relationships.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

Competent Persons Statement

Al Maynard & Associates

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

Mulready Consulting Services

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



Seismic acquisition in EP 115 Northern Territory

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

Information on directors



Henry J Askin BSc (Hons) PhD MSEG MEAGE MPESA

Independent Non Executive Chairman

Dr Askin has over 40 years of experience in the oil exploration industry, of which some 25 years were with the Shell Group of Companies, most recently as a consultant. He is based in Melbourne.

From 1990 until his retirement in December 1997, he was exploration manager with Shell Development (Australia) Pty Ltd in Melbourne. Throughout this period he was Shell's representative on the APPEA Exploration Committee, and was a Director of the various Shell companies established pursuant to operations in the Indonesia Australia Zone of Cooperation.

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

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

Dr Askin is a non-executive director of Bass Strait Oil Company Ltd. Within the last three years, he has not been a director of any other listed public company.



John Heugh BSc (Hons) MAAPG, MPESA

Managing Director

A practising Geologist, Mr Heugh has over 30 years experience in many aspects of petroleum and mineral exploration, with 20 years experience in oil field exploration and development, both onshore and offshore, in Australia and overseas, supplemented by 10 years metallics, environmental and general geology experience.

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

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

He holds an honours degree in Science, majoring in Geology from the University of New England in New South Wales. Mr Heugh is Chairman of the Curtin University Centre of Excellence in Petroleum Geology and Engineering Annual Symposia on Extreme Operations, Petroleum. He is a member of the Petroleum Exploration Society of Australia and the American Association of Petroleum Geologists.

Within the last three years, Mr Heugh has not been a director of any other listed public companies.



Richard Faull BCom CPA

Independent Non Executive Director

Mr Faull has had over 30 years experience as a director, executive and company secretary in mineral and petroleum exploration companies. He is currently a director and company secretary of Barranco Resources NL.

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

Within the last three years, Mr Faull has not been a director of any other listed public company.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011



William J Dunmore BSc MSc

Independent Non Executive Director

Mr Dunmore is an experienced reservoir and production engineer with significant transaction, analysis and financial modelling knowledge from consulting and employment with a number of petroleum companies and financial institutions including Barclays Bank, Unicredit, HVB, British Gas, HBOS/BankWest, SMBC, BHP Petroleum, Schlumberger, Hardman, Mobil, Petrobras, Total, Nippon Oil and Powergen.

Mr Dunmore has over 35 years of direct relevant experience in Australia, Europe and elsewhere. He actively consults to a number of clients. Recent and current projects have included several very large gas and LNG developments in Asia and Australia as well as oil and gas projects located around the world. He has also advised on asset finance such as drilling rig conversions and FPSO new build and construction.. He is a member of the Society of Petroleum Engineers.

Within the last three years, Mr Dunmore has not been a director of any other listed public company.

Company secretaries

Bruce Elsholz BCom CA

Mr Elsholz has around 30 years experience in the upstream oil and gas sector. He has held senior financial roles with a number of exploration and production companies in Australia and Canada. He also has approximately ten years experience as Company Secretary with a number of ASX listed entities.

Daniel CM White LLB BCom LLM

Mr White has considerable experience in corporate finance transactions (including acquisitions and divestitures), equity and debt capital raisings, joint venture and partnering agreements and litigation and international commercial arbitration. He has held senior international based positions with Kuwait Energy Company and Clough Limited.

Directors' meetings

The number of directors' meetings held and the number of meetings attended by each of the directors of the Company during the financial year are:

	<u>Number of meetings held at which eligible to attend</u>	<u>Number of meetings attended</u>
Henry Askin	7	7
John Heugh	7	7
Richard Faull	7	6
William Dunmore	7	7

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

Significant changes in the state of affairs

Significant changes in the state of affairs of the Consolidated Entity during the financial year were as follows:

- Cancellation of Bond Subscription Agreement

The Company determined that the bond subscription agreement which was entered into in November 2007 and which had been partly drawn down to raise funds for its exploration and development programmes was no longer in the Company's best interests and elected to exercise its rights to terminate.

- The Group continued its exploration activities in conjunction with its joint venture partners, including the drilling of drilling the conventional gas prospect Ooraminna-2 (EP 82) as well as two oil prospects - Johnstone West 1 and Surprise 1 (both in EP 115). In addition, three coal stratigraphic holes were drilled on the Group's mineral leases.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

Matters subsequent to the end of the financial year

No matters or circumstances, besides those disclosed at note 32 to the financial statements, have arisen since the end of the financial year which significantly affected or may affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in future financial years.

Likely developments and expected results of operations

Oil and Gas Interests

The Group is scheduling to kick off its renewed liquids focused exploration and development programme in the fourth (December) quarter of 2011 with the re-entry and testing of Surprise-1 in the Amadeus Basin for oil potential in both conventional and unconventional horizons, followed by the drilling of the 4 Billion barrel Madigan prospect (P50 UOIIIP) in the Pedirka Basin and the 2 TCFG Mt Kitty prospect (P50 UGIIIP). The Mt Kitty prospect is anticipated to host condensate as well as helium, a valuable gas originally discovered in the sub-salt Magee prospect in the Amadeus Basin in 1992 (Magee-1).

Seismic acquisition and further drilling of a number of play types are also being evaluated. Included amongst the play types are the Surprise-Johnstone area in EP 115 for both conventional and unconventional oil accumulations, reefal carbonate plays in the Pedirka Basin and the conventional and unconventional oil and gas potential within the Group's application areas in the Southern Georgina Basin.

The Southern Georgina Basin has recently been attracting a high level of interest. Canadian companies PetroFrontier and Rodinia have commenced or are soon to commence well funded drilling programmes. As the Group has various petroleum permit interests (under application) adjacent to the PetroFrontier acreage, drilling success by either PetroFrontier or Rodinia would likely see escalated attention by the Group to its Arthur Creek Shale and Thornton Limestone plays.

Mineral / Coal Interests

The Company has commenced a global search for Pedirka Basin UCG/GTL Commercialisation Partners.

The Company has partnered with Allied Resource Partners Pty Ltd ("ARP") to commercialise part of the Group's permit and application areas in the Pedirka Basin covering coal deposits. ARP will instigate and oversee the global search for funding and technology partners for this part of the Group's coal assets located in the Northern Territory and South Australia. This watershed agreement is aimed at creating significant and multi-generational benefits to Australia including liquid fuels self-security, taxation and royalty revenues, employment and indigenous empowerment.

ARP's Chairman, Michael Doyle, is a specialist in investment banking, corporate finance, project and infrastructure financing. ARP's Managing Director, David Shearwood, has extensive experience in mining engineering, funds management, as a resource analyst, in infrastructure and coal mining.

UCG projects are "clean coal" as they offer a major step towards reducing CO₂ intensity of power generation and transport fuels. UCG extraction does not employ the same technology methods as Coal Seam Methane or Coal Seam Gas. UCG does not require the lowering of the water table to drain coal seams, the use of fracking techniques to rupture rock underground, or the use of carcinogenic chemicals. It is the directors' view that the market is grossly misinformed regarding these facts.

UCG technology based projects are increasingly becoming mainstream and it is expected many more will appear across the globe in the next decade.

A rigorously prescriptive Request for Proposal ("RFP") process will be used to bind commitments to the Project from already identified carefully selected major domestic and global petroleum and mining companies, sovereign funds, energy funds and investment funds. Compliant RFP respondents will be required to detail their plans to explore for coal and potentially complete a Bankable Feasibility Study with Stage 1 output of a minimum of 60,000 barrels per day from the yet to be drilled minimum JORC compliant resource of 4 billion tonnes of accessible coal and their plans to commence construction of Stage 1 of the Project within 5 year. The respondents will also be required to detail their incremental expansion strategies to a potential 3 million barrels per day output.

The foregoing effort is predicated upon significant expenditure, exploration success, technical due diligence and other attendant requirements such as State and Federal support and legislative clarification. While the tenements are highly prospective with coal intersections up to 35m in thickness, they remain sparsely drilled at this time, hence the exploration phase is critical to the long term success of the proposal.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

Dual Listing in Canada

The Company has evaluated the level of support that it could expect from potential Canadian and US investors (shareholders) as well as from its existing shareholders domiciled in those locations for future equity fund raisings. As expected, with the groundswell of interest in unconventional resources globally and given the magnitude of the Group's potential unconventional reserves and resources, the preliminary support has been very encouraging such that the Company has elected to plan a listing on the TSX Venture Exchange ("TSXV").

The Company has appointed Ryder Scott Company Canada to prepare an estimate of the potential hydrocarbon resources attributable to the Group's interest in the Amadeus Basin, the Pedirka Basin, the Wiso Basin and the Southern Georgina Basin for the primary purpose of the Company listing on TSXV.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because, in the opinion of the directors, disclosure of the information may prejudice the interests of the consolidated entity.

Environmental regulation

The Consolidated Entity is subject to significant environmental regulation with regard to its exploration activities.

The Consolidated Entity aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company and the Consolidated Entity are not aware of any breach of environmental legislation for the year under review.

Insurance of directors and officers

During the financial year, the Group paid premiums to insure Directors and Officers of the Group. The contracts include a prohibition on disclosure of the premium paid and nature of the liabilities covered under the policy.

Number of employees

The Company had nineteen (19) employees at 30 June 2011 (twenty (20) at 30 June 2010).

Proceedings on behalf of the Company

Except as referred below no person has applied for leave of Court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Consolidated Entity for all or any part of those proceedings. The Consolidated Entity was a party to the following proceedings during the year.

Century Energy Services Pty Ltd

On 31 March 2011, the Company announced it had initiated legal proceedings against Century Energy Services Pty Ltd ("Century") to protect its interests. The proceedings follow an unplanned incident which occurred during the drilling of Surprise-1 in EP 115 whereby the monkey board and 129 stands of racked drill pipe twisted around the rig mast by thirty degrees whilst the wireline sheaves were being repositioned. This incident resulted in the Company having to necessarily terminate the drilling contract with Century for performance related issues.

An interim application in respect to the dispute was heard in the Supreme Court of Western Australia on 5 July 2011 in respect to an application made by the Company for an injunction restraining Century from demanding or obtaining payment under a Banker's Undertaking. Central had provided the Banker's Undertaking as security for payment for drilling services provided by Century between May and December 2010.

Century had initially claimed that it was entitled to be paid an amount of \$795,649.36 in addition to the amounts already paid for services provided up to the point of termination of the contract. While the Court decided against granting an injunction on 28 September 2011, Century has through the process reduced its claim to between \$312,282.66 and \$358,832.66.

In respect to Century's claim for payment, Central says that it has a claim arising from the breakdown and termination which is for a far greater sum. It has made a claim against Century and MB Century Drilling Pty Ltd ("MBC") for costs incurred as a result of the breakdown and termination, and for the likely costs associated with the logistics and the re-entry and drilling of Surprise 1 to the depth reached at the time of termination of the contract with Century in December 2010. Central has commenced arbitration proceedings in connection with this claim. Century and MBC have disputed Central's claim.

The Company announced on 29 September 2011 that the Company and Century were engaged in amicable discussions in an attempt to resolve these issues without the need for continuing arbitration proceedings. If these discussions do not lead to an agreed resolution, these issues will be resolved by arbitration, which would likely occur in April 2012.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

Non-audit services

At the Annual General Meeting of the Company held on 25 November 2010, shareholders voted in favour of a motion to change to Company's auditor from Stantons International to PricewaterhouseCoopers (PwC).

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Consolidated Entity are important.

Details of amounts paid or payable to the auditor (PwC) for non-audit services provided during the year are set out below.

The board of directors is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 and did not compromise the general principles relating to auditor independence in accordance with APES 110 *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

	CONSOLIDATED	
	2011	2010
	\$	\$
PwC Australian firm:		
Other assurance services		
Review of governance processes, controls and systems	45,500	-
Taxation services		
Tax compliance	300	-
International tax consulting and advice	47,319	-
Other services		
Benchmarking services	5,950	-
Corporate and strategic advice	25,500	-
Total remuneration for non-audit services	124,569	-

Stantons International did not provide any non-audit services during either year.

Auditor's Independence

The directors received an Independence Declaration from the auditor of Central Petroleum Limited as required under section 307C of the Corporations Act 2001 and this is set out on page 31.

Remuneration report

This remuneration report, which has been audited, outlines the remuneration arrangements in place for non-executive directors, executive directors, other key management personnel and the five highest remunerated executives of the Consolidated Entity and the Company.

Key Management Personnel

The key management personnel of the Consolidated Entity during the year were:

Directors

Dr Henry Askin	Non-Executive Chairman
Mr John Heugh	Managing Director
Mr Richard Faull	Non-Executive Director
Mr William Dunmore	Non-Executive Director

Executives

Mr Tim Green	Drilling, Operations and Production Manager	(position made redundant 31 January 2011)
Mr Stewart Bayford	Exploration Manager	(resigned 31 July 2011)
Mr Bruce Elsholz	Chief Financial Officer and Company Secretary	
Mr Daniel White	Group General Counsel and Company Secretary	

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

Remuneration Policy

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

The performance of the Company depends upon the quality of its directors and executives and the Company strives to attract, motivate and retain highly qualified and skilled management.

The remuneration of directors and executives consists of the following key elements:

Short term incentives

- (i) Annual salary and non-monetary benefits (executives and Managing Director only);
- (ii) Directors fees (directors only);
- (iii) Participation in performance-based bonuses over and above salary arrangements where applicable and in line with key performance indicators.

Long term incentives

- (i) Participation in the Incentive Option Scheme;
- (ii) Payment of superannuation benefits in line with Australian regulatory guidelines

Salaries and directors fees are reviewed at least annually to ensure they remain competitive with the market. There are no guaranteed base pay increases included in any executive's contract.

Performance-based bonus

Participation in bonus schemes is at the discretion of the board of directors. In determining the extent of any performance based bonus, the Company takes into consideration the key performance indicators and objectives of the employee and the Company, as the Company may set from time to time, and any other matter that it deems appropriate. Before establishment of any bonus scheme the board of directors will consider the appropriate targets and key performance indicators (KPI's) to link the bonus scheme and the level of payout if targets are met. This includes setting any maximum payout under the scheme, and minimum levels of performance to trigger payment of the bonus. As of the date of this report no bonus scheme has been established for any director or employee.

Incentive Option Scheme

Non executive directors do not receive performance-based pay, however they, along with executives, do participate in the Incentive Option Scheme which is designed to provide incentive to deliver long-term shareholder returns.

At the discretion of the Company, performance criteria may or may not be established in respect of options that vest under the Incentive Option Scheme. Options are granted for no consideration. Options that have been granted to date to employees, excluding directors, have contained service conditions in respect of their vesting. Options have vested progressively from grant date to, in some cases, an employee's third anniversary of employment. As of the date of this report no options issued to any director or executive under the Incentive Option Scheme have contained any performance criteria in respect of their vesting.

There are no rules imposing a restriction on removing the 'at risk' aspect of options granted to directors and executives.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

Details of remuneration

Details of the remuneration of the directors and the key management personnel of Central Petroleum Ltd and the Consolidated Entity are set out in the following tables.

Table 1: Remuneration of Directors and Highest Paid Executives

		Short-term		Post-employment		Long-term benefits	Share-based payments	Total \$	Value of options as proportion of remuneration %
		Salary/ fees \$	Non-monetary benefits ⁷ \$	Superannuation contributions \$	Termination Benefits \$	Long service leave \$	Options \$		
Directors									
Henry Askin	2011	80,500	3,186	7,245	-	-	-	90,931	0%
	2010	70,000	2,094	6,300	-	-	-	78,394	0%
John Heugh	2011	423,555	3,186	36,414	-	11,151	-	474,306	0%
	2010	369,538	2,094	32,538	-	-	-	404,170	0%
Richard Faull	2011	57,500	3,186	5,175	-	-	-	65,861	0%
	2010	50,000	2,094	4,500	-	-	-	56,594	0%
William Dunmore	2011	57,500	3,186	-	-	-	-	60,686	0%
	2010	63,603	2,093	-	-	-	-	65,696	0%
Sub-total	2011	619,055	12,744	48,834	-	11,151	-	691,784	0%
	2010	553,141	8,375	43,338	-	-	-	604,854	0%
Other key management personnel									
Tim Green ¹	2011	173,945	1,877	21,065	64,856	-	19,621	281,364	7%
	2010	245,541	2,093	22,500	-	-	63,591	333,725	19%
Stewart Bayford ⁶	2011	276,749	3,186	24,167	-	6,005	11,127	321,234	3%
	2010	270,445	2,094	22,500	-	-	63,109	358,148	18%
Julian Tambyrajah ²	2011	-	-	-	-	-	-	-	N/A
	2010	37,268	-	3,323	-	-	-	40,591	0%
Bruce Elsholz ³	2011	207,231	3,186	18,360	-	3,994	9,345	242,116	4%
	2010	151,438	2,094	12,835	-	-	33,892	200,259	17%
Daniel White ⁴	2011	340,630	3,186	20,625	-	5,248	21,763	391,452	6%
	2010	176,070	2,094	14,533	-	-	47,936	240,633	20%
Sub-total	2011	998,555	11,434	84,217	64,856	15,247	61,856	1,236,165	5%
	2010	880,762	8,375	75,691	-	-	208,528	1,173,356	18%
Other Company executives									
Greg Ambrose ⁵	2011	257,195	-	22,736	-	16,946	(20,898)	275,979	0%
	2010	242,284	-	21,248	-	-	32,596	296,128	11%
Sub-total	2011	257,195	-	22,736	-	16,946	(20,898)	275,979	0%
	2010	242,284	-	21,248	-	-	32,596	296,128	11%
Total Remuneration	2011	1,874,805	24,178	155,787	64,856	43,344	40,958	2,203,928	2%
	2010	1,676,187	16,750	140,277	-	-	241,124	2,074,338	12%

¹Drilling Manager Position made redundant 31 January 2011

²Resigned 10 July 2009

³Appointed 31 August 2009.

⁷Represents insurance premiums

⁴Appointed 30 November 2009.

⁵One of the 5 highest paid executives of the Company

⁶Resigned 31 July 2011

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

Details of remuneration (continued)

No options were granted to key management personnel during 2011.

The fair values of options granted during 2010 were calculated at the dates of grant using a Black-Scholes valuation model. The values are allocated to each reporting period evenly over the period from grant date to vesting date.

The values disclosed for 2011 are the portions of the fair values applicable to and recognised in this reporting period.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant date	Expiry date	Fair value per option	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
1 Jun 10	31 May 15	\$0.026	\$0.122	\$0.07	49.3%	4.5%	0%

Table 2: Share based compensation – Options granted and vested during the year

	Year	Number of options granted	Grant date	Average fair value at grant date	Average exercise price per option	Expiry date	Number of options vested	Proportion of options vested %
Directors								
Henry Askin	2011	-	-	-	-	-	-	-
	2010	-	-	-	-	-	-	-
John Heugh	2011	-	-	-	-	-	-	-
	2010	-	-	-	-	-	-	-
Richard Faull	2011	-	-	-	-	-	-	-
	2010	-	-	-	-	-	-	-
William Dunmore	2011	-	-	-	-	-	-	-
	2010	-	-	-	-	-	-	-
Other key management personnel								
Tim Green ¹	2011	-	-	-	-	-	800,000	34%
	2010	-	-	-	-	-	1,600,000	66%
Stewart Bayford ⁶	2011	-	-	-	-	-	800,000	34%
	2010	-	-	-	-	-	1,600,000	66%
Julian Tambyrajah ²	2011	-	-	-	-	-	-	-
	2010	-	-	-	-	-	-	-
Bruce Elsholz ³	2011	-	-	-	-	-	666,666	33%
	2010	2,000,000	1 Jun 10	\$0.026	\$0.122	31 May 15	666,666	33%
Daniel White ⁴	2011	-	-	-	-	-	1,000,000	33%
	2010	3,000,000	1 June 10	\$0.026	\$0.122	31 May 15	1,000,000	33%
Other Company executives								
Greg Ambrose ⁵	2011	-	-	-	-	-	-	-
	2010	-	-	-	-	-	250,000	25%
Total compensation options								
	2011	-					3,266,666	
	2010	5,000,000					4,866,666	

¹ Position made redundant 31 January 2011

² Resigned 10 July 2009

³ Appointed 31 August 2009.

⁴ Appointed 30 November 2009.

⁵ One of the five highest paid executives of the Company

⁶ Resigned 31 July 2011

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

Details of remuneration (continued)

Table 3: Options granted as part of remuneration

2011	Value of options granted during the year (\$)	Value of options lapsed during the year (\$)	Remuneration consisting of options for the year (%)
Directors			
Henry Askin	-	-	-
John Heugh	-	-	-
Richard Faulk	-	-	-
William Dunmore	-	-	-
Other key management personnel			
Tim Green	-	-	-
Stewart Bayford	-	-	-
Bruce Elsholz	-	-	-
Daniel White	-	-	-
Other Company executives			
Greg Ambrose	-	-	-

Table 3: Options granted as part of remuneration

2010	Value of options granted during the year (\$)	Value of options lapsed during the year* (\$)	Remuneration consisting of options for the year (%)
Directors			
Henry Askin	-	-	-
John Heugh	-	-	-
Richard Faulk	-	-	-
William Dunmore	-	-	-
Other key management personnel			
Tim Green	-	-	-
Stewart Bayford	-	-	-
Bruce Elsholz	45,285	-	17%
Daniel White	76,852	-	20%
Julian Tambyrajah	-	(111,900)	-
Other Company executives			
Greg Ambrose	-	-	-

No options were exercised during either year, and no shares were issued on exercise of compensation options.

* Lapsed because a vesting condition was not satisfied. The value is determined at the time of lapsing but assuming the condition was satisfied.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

Details of remuneration (continued)

Table 4: Shareholdings of key management personnel

	Held at beginning of year	Held at date of appointment	Renounceable rights issue purchase	Received on exercise of options	Net change other	Held at date of departure	Held at end of year
Directors							
Henry Askin							
2011	3,600,000	N/A	-	-	-	N/A	3,600,000
2010	2,400,000	N/A	1,200,000	-	-	N/A	3,600,000
John Heugh							
2011	5,703,693	N/A	-	-	37,736	N/A	5,741,429
2010	5,683,803	N/A	19,890	-	-	N/A	5,703,693
Richard Faulk							
2011	2,386,100	N/A	-	-	-	N/A	2,386,100
2010	2,311,100	N/A	75,000	-	-	N/A	2,386,100
William Dunmore							
2011	766,666	N/A	-	-	-	N/A	776,666
2010	766,666	N/A	-	-	-	N/A	776,666
Other key management personnel							
Tim Green							
2011	90,000	N/A	-	-	-	90,000	N/A
2010	-	N/A	22,500	-	67,500	N/A	90,000
Stewart Bayford							
2011	-	N/A	-	-	-	N/A	-
2010	-	N/A	-	-	-	N/A	-
Julian Tambyrajah							
2011	N/A	N/A	-	-	-	N/A	N/A
2010	-	N/A	-	-	-	-	N/A
Bruce Elsholz							
2011	-	-	-	-	-	N/A	-
2010	N/A	-	-	-	-	N/A	-
Daniel White							
2011	1,440,000	-	-	-	-	N/A	1,440,000
2010	N/A	-	480,000	-	960,000	N/A	1,440,000
Other Company executives							
Greg Ambrose							
2011	-	N/A	-	-	-	N/A	-
2010	-	N/A	-	-	-	N/A	-

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

Details of remuneration (continued)

Table 5: Option holdings of key management personnel

	Held at beginning of year	Options exercised	Granted as remuneration	Net change other	Held at end of year *
Directors					
Henry Askin					
2011	5,340,000	-	-	-	5,340,000
2010	5,900,000	-	-	(560,000)	5,340,000
John Heugh					
2011	7,503,978	-	-	300,000	7,803,978
2010	12,050,000	-	-	(4,546,022)	7,503,978
Richard Faulk					
2011	3,580,550	-	-	-	3,580,550
2010	5,065,550	-	-	(1,485,000)	3,580,550
William Dunmore					
2011	3,400,000	-	-	-	3,400,000
2010	4,000,000	-	-	(600,000)	3,400,000

* All of the options had vested and were exercisable at the end of the year.

	Held at beginning of year	Held at date of appointment	Options exercised	Granted as remuneration	Net change other	Held at date of departure	Held at end of year
Other key management personnel							
Tim Green							
2011	2,404,500	N/A	-	-	-	2,404,500	N/A
2010	2,400,000	N/A	-	-	4,500	N/A	2,404,500
Stewart Bayford							
2011	2,400,000	N/A	-	-	-	N/A	2,400,000
2010	2,400,000	N/A	-	-	-	N/A	2,400,000
Julian Tambyrajah							
2011	N/A	N/A	-	-	-	N/A	N/A
2010	4,000,000	N/A	-	-	(2,666,668)	1,333,332	N/A
Bruce Elsholz							
2011	2,000,000	N/A	-	-	-	N/A	2,000,000
2010	N/A	N/A	-	2,000,000	-	N/A	2,000,000
Daniel White							
2011	3,096,000	N/A	-	-	-	N/A	3,096,000
2010	N/A	N/A	-	3,000,000	96,000	N/A	3,096,000
Other Company executives							
Greg Ambrose							
2011	2,000,000	N/A	-	-	(1,000,000)	N/A	1,000,000
2010	2,000,000	N/A	-	-	-	N/A	2,000,000

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

Details of remuneration (continued)

The vesting profile for options held at the end of the year was as follows:

Executive	2011			2010		
	Holding at end of year	Vested during the year	Exercisable at end of year	Holding at end of year	Vested during the year	Exercisable at end of year
Key management personnel						
Tim Green	N/A	800,000	N/A	2,404,500	800,000	1,604,500
Stewart Bayford	2,400,000	800,000	2,400,000	2,400,000	800,000	1,600,000
Bruce Elsholz	2,000,000	666,666	1,333,332	2,000,000	666,666	666,666
Daniel White	3,096,000	1,000,000	2,096,000	3,096,000	1,000,000	1,096,000
Other Company executives						
Greg Ambrose	1,000,000	-	1,000,000	2,000,000	250,000	2,000,000

For each grant of options included in the tables 1 to 5 above, the percentage of the grant that was vested in the financial year and the percentage that was forfeited because the person did not meet the performance or service criteria is set out below. The options vest over a range of time frames provided the vesting conditions are met. No options will vest if the conditions are not satisfied (refer page 23), hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

Name	Share based compensation benefits (options)				
	Year Granted	Vested %	Forfeited %	Financial years in which options may vest	Maximum value of grant yet to vest \$
Henry Askin	2009	100	-	-	-
	2008	100	-	-	-
John Heugh	2009	100	-	-	-
	2008	100	-	-	-
Richard Faull	2009	100	-	-	-
	2008	100	-	-	-
William Dunmore	2009	100	-	-	-
	2008	100	-	-	-
Tim Green	2009	100	-	-	-
Stewart Bayford	2009	100	-	-	-
Julian Tambyrajah	2009	33	67	-	-
Bruce Elsholz	2010	67	-	30/6/2012	2,048
Daniel White	2010	67	-	30/6/2012	7,152
Greg Ambrose	2009	100	-	-	-
	2008	100	-	-	-

Service agreements

The details of service agreements of the key management personnel of Central Petroleum Limited and the Consolidated Entity are as follows:

John Heugh, Managing Director:

- The term of the agreement, which was entered into in April 2005 and extended in December 2008, is for the period through until 7 March 2015;
- Mr Heugh's base salary is presently \$337,500 per annum. In addition, superannuation at the statutory 9% rate is applicable, and Mr Heugh receives a director's fee of \$60,000 per annum;

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2011

Service agreements (continued)

- The agreement provides for the provision of 3 months' notice for termination in specified circumstances or the payment of 3 months' salary in lieu of notice. In certain circumstances, the termination provisions require payment of the equivalent of seven times the annual average of the base salary for the period of three years prior to the termination of the contract. There is no entitlement to a termination payment in the event of a conviction for any major criminal offence which brings the Company or any of its Related Bodies Corporate into lasting disrepute.
- The terms of employment also require the Company to maintain an appropriate level of Directors and Officers' Liability Insurance and provide rights relating to indemnity, insurance, and access to documents.

Tim Green, Drilling, Operations and Production Manager

- Mr Green's position was made redundant effective from 31 January 2011.
- The term of the agreement was 4 years, commencing 11 May 2009;
- Mr Green's base salary at the date of redundancy was \$266,250 per annum. In addition, superannuation at the statutory 9% rate was applicable.

Stewart Bayford, Exploration Manager

- Mr Bayford resigned effective from 31 July 2011;
- The term of the agreement was 4 years, commencing 1 June 2009;
- Mr Bayford's base salary was \$262,500 per annum. In addition, superannuation at the statutory 9% rate was applicable. The salary was reviewed annually.

Bruce Elsholz, Chief Financial Officer and Company Secretary

- The term of the agreement is 4 years, commencing 31 August 2009;
- Mr Elsholz's base salary is presently \$217,800 per annum. In addition, superannuation at the statutory 9% rate is applicable. The salary is reviewed annually.
- In order to terminate employment, increasing periods of notice are required by either, depending on the length of service, up to a maximum of 3 months' notice or payment in lieu.

Daniel White, Group General Counsel and Company Secretary

- The term of the agreement is 4 years, commencing 30 November 2009;
- Mr White's base salary is presently \$332,750 per annum. In addition, superannuation at the statutory 9% rate is applicable. The salary is reviewed annually.
- In order to terminate employment, increasing periods of notice are required by either, depending on the length of service, up to a maximum of 3 months' notice or payment in lieu.

Greg Ambrose, Manager Geology

- The term of the agreement is 4 years, commencing 16th June 2011;
- Mr Ambrose's base salary is presently \$259,329 per annum. In addition, superannuation at the statutory 9% rate is applicable. The salary is reviewed annually.
- The Company may terminate the employment at any time by either giving 3 month's written notice or payment in lieu thereof.

Non executive directors

The Company has engaged Dr Henry Askin, Mr Richard Faull and Mr William Dunmore whereby they are appointed as non-executive directors of the Company. The terms of appointment are subject to the Company's Constitution. The Company maintains an appropriate level of Directors and Officers' Liability Insurance and provide rights relating to indemnity, insurance, and access to documents. Dr Askin receives a non-executive director's fee of \$84,000 per annum, plus superannuation benefits. Messrs Faull and Dunmore receive non-executive directors' fees of \$60,000 per annum. Mr Faull also receives superannuation benefits. However, Mr Dunmore, who resides outside of Australia, does not receive superannuation benefits.

Signed in accordance with a resolution of the Directors:



John Heugh – Director, Perth 30 September, 2011



Auditor's Independence Declaration

As lead auditor for the audit of Central Petroleum Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

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

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

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

William P R Meston
Partner
PricewaterhouseCoopers

Perth
30 September 2011

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308
CORPORATE GOVERNANCE STATEMENT

Introduction

The Company and the board are committed to achieving and demonstrating high standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The Group seeks to follow the best practice recommendations for listed companies to the extent that it is practicable.

The Company is required to disclose the extent to which they have complied with the ASX Corporate Governance Principles and Recommendations. Set out below are the principal corporate governance practices of the Company along with the reasons for non-compliance with the recommendations (including 2010 Amendments) where applicable.

Principle 1: Lay solid foundations for management and oversight

Role of the board of Directors

The board of directors guides and monitors the business and affairs of the Company on behalf of its shareholders, by whom the directors are elected and to whom they are accountable.

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

The board is also responsible for:

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

The board has also established a framework for the management of the Company, including a system of internal control and business risk management and the establishment of appropriate ethical standards. The board conducts annual reviews of its processes to ensure that it is able to carry out its functions effectively and in an efficient manner.

Principle 1 recommendations not complied with:

Recommendation		Explanation/ Reference
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose the functions.	The Company has not formalised the functions reserved to the board and those delegated to management. However, the responsibilities of the board are set out above.
Rec 1.2	Companies should disclose the process for evaluating the performance of senior executives.	The Company has a ten key performance indicator (KPI) evaluation process administered by the Managing Director for evaluating the performance of senior executives.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308
CORPORATE GOVERNANCE STATEMENT

Principle 2: Structure the board to add value

Structure and composition of the board

The board consists of four directors - the managing director and three non-executive directors. The directors bring a broad range of relevant expertise, both nationally and internationally, to the board. Details of their skills, experience and expertise and the period of office held by each director have been included in the directors' report. The number of board meetings and the attendance of the directors are set out in the directors' report.

The Chairman, Dr Askin, is an independent director. The roles of chairman and the managing director are not exercised by the same individual as there is a clear division of responsibility between them.

Independence of non-executive directors and the chairman of the board

The Company utilises the Corporations Act threshold of 5% shareholding for determining independence. The Board monitors the independence of each board member on a regular ongoing basis.

The board has assessed the independence of the non-executive directors and the Chairman.

Although Messrs Askin, Faull and Dunmore hold 3,600,000, 2,386,100 and 776,666 fully paid ordinary shares respectively, the board considers these holdings to be immaterial, being significantly below the holdings threshold to be considered as substantial shareholders as defined by the Corporations Act.

The non-executive directors have no business or other relationship which is likely to compromise their independence. Individual directors are required to keep the board advised of any interests that could potentially create conflict with those of the Company.

Conflict of Interest

Directors and senior management are required to advise the Chairman of any existing or potential conflict of interest. When necessary, the Chairman will refer the matter to the board for determination.

Term of office

Under the constitution of the Company, the directors, other than the Managing Director, are obliged to present one third of their company for retirement and potential re-election at each annual general meeting of the Company.

Independent professional advice

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

Principle 2 recommendations not complied with:

Recommendation		Explanation/ Reference
Rec 2.4	The board should establish a nomination committee.	The Company currently does not have a nomination committee. Because of the Company's size, the board believes that such a formal committee would contribute little to its effective management. Nomination matters are reviewed and approved by the board as a whole.
Rec 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	The Company has not disclosed the process for evaluating the performance of the board, its committees and individual directors. The full board is responsible for this function. However, because of the size and structure of the board a formal performance evaluation process is not conducted.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308
CORPORATE GOVERNANCE STATEMENT

Principle 3: Promote ethical and responsible decision making

Ethical standards and code of conduct

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

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

The code of conduct is available on the Central Petroleum Limited website.

Share trading

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

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

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

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

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

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

Related party matters

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

Diversity

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. The Company employs people from a range of ethnic and cultural backgrounds.

At the end of the current reporting period there were 4 women in the whole organisation representing 21% of total employees. There were no women in senior executive or board positions.

CENTRAL PETROLEUM LIMITED

ABN 72 083 254 308

CORPORATE GOVERNANCE STATEMENT

Principle 3 recommendations not complied with:

	Recommendation	Explanation/ Reference
Rec 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving greater diversity for the board to assess annually both the objectives and progress towards achieving them.	Whilst recognising the benefits of diversity, due to the size and nature of its operations, the Company has not developed a formal diversity policy.
Rec 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No formal diversity policy has been established. Refer recommendation 3.2 above.

Principle 4: Safeguard integrity in financial reporting

Reporting and assurance

When considering the financial reports, the board receives a written statement declaration in accordance with section 295A of the Corporations Act, signed by the Managing Director and Chief Financial Officer that the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Similarly, in a separate written statement the Managing Director and Chief Financial Officer also confirm to the board that the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

Financial reporting

Monthly results are circulated to the board of directors and Chief Financial Officer for review. Rolling cash flow forecasts are prepared on a regular basis. Exploration expenditure is measured against approved programme budgets.

Audit committee

The board has established an audit committee which consists of the following non-executive directors:

Richard Faull (Chair)
Henry Askin
William Dunmore

Details of these directors' qualifications are set out in the directors' report.

The audit committee operates in accordance with a charter which is available on the Company's website. The main responsibilities of the committee are to:

- To review the terms of engagement of the external auditors, including their compensation, and to evaluate their performance
- To oversee the receipt from external auditors of a formal written statement delineating all relationships between the auditor and the Company or its affiliates, and to engage in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditor
- To review annually the external audit scope, audit plans and relevant processes, the results of the external audit and whether recommendations made have been implemented by Company management
- To discuss with the external auditors the results of their audits, any unusual items or disclosures contained in the audits and the matters required by Australian Auditing Standards
- To review with external auditors and the financial and accounting personnel of the Company whether the accounting policies and financial controls of the Company are appropriate, adequate and effective

CENTRAL PETROLEUM LIMITED

ABN 72 083 254 308

CORPORATE GOVERNANCE STATEMENT

- To meet with management and the external auditors to review the financial statements and to understand significant transactions, significant business risk, or other unusual items or disclosures in the annual report;
- To review the external financial statements and annual report to consider whether they conform to accepted accounting principles and the standards set by the Company
- To review with management and the external auditors their qualitative judgments about the appropriateness, not just acceptability, of accounting principles, estimates and financial disclosure practices used in the preparation of the Company's financial statements and other public reports
- To review major issues regarding the status of the Company's compliance with laws and regulations, as well as major legislative and regulatory developments that may have a significant impact on the Company
- To review the processes and procedures for management's monitoring of compliance with local laws
- To review and obtain reasonable assurance that the financial risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information
- To review compliance by management of the Company with those Company policies designated by the Board from time to time, including the Share Trading Policy. To this end, the Committee will review periodic reports submitted by those persons the Committee has designated as responsible for implementation of and compliance with such policies and give guidance on how said policies are to be administered
- To review such other matters in relation to the Company's accounting, auditing, financial reporting and compliance with law as the Committee may, in its own discretion, deem desirable in connection with the review functions described above.

External Auditors

The Company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed regularly. PwC was appointed auditor for the first time for the financial year ended 30 June 2011. It is PwC's policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 5 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5: Make timely and balanced disclosure

Continuous disclosure

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

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

Principle 5 recommendations not complied with:

Recommendation		Explanation/ Reference
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	The Company has established a practice of evaluating continuous disclosure issues as a part of each formal board meeting. The board is acutely aware of the continuous disclosure regime and believes there are strong informal systems in place to ensure compliance. Disclosure of the Company's approach to continuous disclosure is set out above.

CENTRAL PETROLEUM LIMITED

ABN 72 083 254 308

CORPORATE GOVERNANCE STATEMENT

Principle 6: Respect the rights of shareholders

Shareholder relations

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

Information on all major developments affecting the Company is available to shareholders through:

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

The Company will take advantage of technology, such as the Company website, to provide greater opportunities for effective communication with shareholders and to encourage participation at meetings.

Information disclosed to the Australian Stock Exchange ("ASX") is available to shareholders via the ASX website. In addition various reports and announcements are made available on the Company's website where there is also an option for shareholders to register their email address for updates made by the Company from time to time. All shareholders are entitled to receive a copy of the Company's annual and half-yearly reports and these reports are also made available on the Company's website.

Principle 7: Recognise and manage risk

The board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the audit committee for review by the full board.

The audit committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In providing this oversight they review and obtain reasonable assurance that the financial risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information

Business risk management

The board acknowledges that it is responsible for the overall internal control and risk management framework. Accordingly, the board has implemented the following control framework:

Special functional reporting:

The board has identified a number of key areas which are subject to regular reporting to the board such as safety, environmental, insurance and legal matters.

Investment appraisal:

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

Principle 7 recommendations not complied with:

Recommendation		Explanation/ Reference
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Company has not established a formal, written risk management policy. Disclosure of the Company's approach to risk management is set out above.
Rec 7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Company has not established a formal, written risk management and internal control system. Disclosure of the Company's approach to risk management and internal control is set out above.

CENTRAL PETROLEUM LIMITED

ABN 72 083 254 308

CORPORATE GOVERNANCE STATEMENT

Principle 8: Remunerate fairly and responsibly

On matters of remuneration, the board has policies that were established to review the remuneration policies and practices of the Company to ensure that it remunerates fairly and responsibly.

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

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

Non-executive directors' remuneration policy

The structure of non-executive directors' remuneration is distinguished from that of executives. Remuneration for non-executive directors is fixed. Total remuneration for all non-executive directors, as approved by shareholders, is not to exceed \$500,000 per annum. Neither the non-executive directors nor the executives of the Company receive any retirement benefits, other than superannuation.

Executive directors' remuneration policy

Executive directors are employed pursuant to employment agreements. A summary of the Managing Director's employment agreement is set out in the remuneration report.

Principle 8 recommendations not complied with:

Recommendation		Explanation/ Reference
Rec 8.1	The board should establish a remuneration committee.	The Company currently does not have a remuneration committee. Because of the Company's size, the board believes that a remuneration committee would contribute little to its effective management. Remuneration matters are reviewed and approved by the board as a whole. Disclosure of the Company's remuneration policy is set out above.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308
ANNUAL FINANCIAL REPORT – 30 JUNE 2011

Contents	Page
Financial statements	
Consolidated statement of comprehensive income.....	40
Consolidated balance sheet.....	41
Consolidated statement of changes in equity.....	42
Consolidated statement of cash flows.....	43
Notes to the consolidated financial Statements	44
Directors' declaration	76
Independent auditor's report to the members.....	77

These financial statements are the consolidated financial statements of the consolidated entity consisting of Central Petroleum Limited and its subsidiaries. The financial statements are presented in Australian currency.

Central Petroleum Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 3, Level 4 South Shore Centre
85 South Perth Esplanade
South Perth
Western Australia 6151.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 7 to 17 and in the directors' report on page 5, both of which are not part of these financial statements.

The financial statements were authorised for issue by the directors on 30 September 2011. The directors have the power to amend and reissue the financial statements.

Through the use of the internet we have ensured that our corporate reporting is timely and complete. Press releases, financial reports and other information are available via the links on our website: www.centralpetroleum.com.au

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$	2010 \$
Continuing Operations			
Other income	2	1,357,644	1,191,578
Share based employment benefits	28	(129,668)	(327,027)
General and administrative expenses	3	(3,357,254)	(2,540,269)
Depreciation & amortisation		(264,894)	(242,279)
Employee benefits and associated costs	3	(2,903,215)	(1,665,058)
Exploration expenditure	3	(31,342,975)	(8,168,009)
Finance costs		(3,161)	(58,663)
		<hr/>	<hr/>
Loss before income tax	3	(36,643,523)	(11,809,727)
Income tax expense	4	-	-
Loss for the year from continuing operations		<hr/>	<hr/>
		(36,643,523)	(11,809,727)
Other comprehensive loss:		<hr/>	<hr/>
		-	-
Total comprehensive loss for the year		<hr/>	<hr/>
		(36,643,523)	(11,809,727)
Total comprehensive loss attributable to members of the parent entity	18	<u>(36,643,523)</u>	<u>(11,809,727)</u>
Basic and diluted loss per share (cents)	19	(3.80)	(3.49)

The accompanying notes form part of these financial statements.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2011

	Note	2011 \$	2010 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	9,463,949	37,529,579
Trade and other receivables	7	3,468,537	13,019,383
Inventories	8	853,995	968,376
Total current assets		<u>13,786,481</u>	<u>51,517,338</u>
Non-current assets			
Property, plant and equipment	9	828,358	445,112
Exploration assets	10	10,488,500	10,237,492
Intangible assets	11	72,406	148,120
Other financial assets	12	2,412,746	3,428,923
Total non-current assets		<u>13,802,010</u>	<u>14,259,647</u>
Total assets		<u>27,588,491</u>	<u>65,776,985</u>
LIABILITIES			
Current liabilities			
Trade and other payables	13	1,257,329	9,038,307
Provisions	14	386,128	225,729
Total current liabilities		<u>1,643,457</u>	<u>9,264,036</u>
Non-current liabilities			
Provisions	15	49,862	-
Total non-current liabilities		<u>49,862</u>	<u>-</u>
Total liabilities		<u>1,693,319</u>	<u>9,264,036</u>
Net assets		<u>25,895,172</u>	<u>56,512,949</u>
EQUITY			
Contributed equity	16	99,105,548	93,209,470
Reserves	17	6,893,100	6,763,432
Accumulated losses	18	(80,103,476)	(43,459,953)
Total equity		<u>25,895,172</u>	<u>56,512,949</u>

The accompanying notes form part of these financial statements.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Contributed equity \$	Reserves \$	Accumulated Losses \$	Total \$
Total equity at 1 July 2009	68,685,229	6,436,405	(31,650,226)	43,471,408
Total loss for the year	-	-	(11,809,727)	(11,809,727)
Transactions with owners in their capacity as owners				
Share based payments	-	327,027	-	327,027
Share and option issues	22,661,370	-	-	22,661,370
Conversion of convertible bonds	4,000,000	-	-	4,000,000
Share issue costs	(2,137,129)	-	-	(2,137,129)
Balance at 30 June 2010	93,209,470	6,763,432	(43,459,953)	56,512,949
Total loss for the year	-	-	(36,643,523)	(36,643,523)
Transactions with owners in their capacity as owners				
Share based payments	-	129,668	-	129,668
Share and option issues	6,451,281	-	-	6,451,281
Share issue costs	(555,203)	-	-	(555,203)
Balance at 30 June 2011	99,105,548	6,893,100	(80,103,476)	25,895,172

The accompanying notes form part of these financial statements.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Interest received		940,776	1,010,953
GST refunds received		2,674,149	-
Other income		358,829	-
Interest paid		(3,161)	-
Payments to suppliers and employees (inclusive of GST)		<u>(38,131,130)</u>	<u>(20,614,584)</u>
Net cash outflow from operating activities	24	<u>(34,160,537)</u>	<u>(19,603,631)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(578,079)	(407,423)
Payments for intangible assets		(5,565)	(36,855)
Payments for exploration assets		(319,718)	-
Redemption/(lodgement) of security deposits and bonds		<u>1,016,177</u>	<u>(2,877,403)</u>
Net cash inflow/(outflow) from investing activities		<u>112,815</u>	<u>(3,321,681)</u>
Cash flows from financing activities			
Proceeds from the issue of shares, bonds and options		6,451,281	26,661,370
Payments for share issue and listing costs		<u>(469,189)</u>	<u>(2,137,129)</u>
Net cash inflow from financing activities		<u>5,982,092</u>	<u>24,524,241</u>
Net (decrease)/increase in cash and cash equivalents		(28,065,630)	1,598,929
Cash and cash equivalents at the beginning of the financial year		<u>37,529,579</u>	<u>35,930,650</u>
Cash and cash equivalents at the end of the financial year	6	<u>9,463,949</u>	<u>37,529,579</u>

The accompanying notes form part of these financial statements.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Central Petroleum Limited ("the Company") and its subsidiaries (collectively "the Group" or "Consolidated Entity").

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

(i) Going concern

The consolidated financial statements of the Group have been prepared on a going concern basis, which contemplates continuity of business activities and realisation of assets and the settlement of liabilities in the ordinary course of business. For the year ended 30 June 2011 the Group incurred a loss before tax of \$36,643,523 and a cash outflow from operating activities of \$34,160,537.

As at 30 June 2011 the Group had cash assets amounting to \$9,463,949. Minimum cash requirements for the next year, based on the current level of staffing and overheads, are expected to be in the vicinity of \$5.5 million. Accordingly the financial statements have been prepared on a going concern basis.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due has been enhanced by the capital raising activities undertaken since the end of the financial year. The Company completed a share placement in September 2011 raising approximately \$5 million and also announced an underwritten Share Purchase Plan which will raise a further \$5.5 million before costs.

Whilst the Group has exploration plans and commitments in excess of cash reserves, in the petroleum industry it is common practice for entities to farm-out, transfer or sell a portion of their rights to third parties or relinquish them altogether and, as a result, obligations may be significantly reduced or extinguished. In addition to continued funding from existing investors, the Company's proposed listing on the Toronto Stock Exchange Venture Exchange is expected to provide an additional source of funds for future exploration activities.

The directors, therefore, are of the opinion that no asset is likely to be realised for an amount less than the amount it is recorded in the financial report at 30 June 2011. Accordingly no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts and classification of liabilities that might be necessary should the Company and the Group not continue as a going concern.

(ii) Compliance with IFRS

The consolidated financial statements of the Central Petroleum Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(iii) New and amended standards adopted by the Group

The following new and amendments to standards are mandatory for the first time for the financial year beginning on 1 July 2010:

AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues

AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19, and

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

AASB 2010-5 Amendments to Australian Accounting Standards

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. Summary of significant accounting policies (continued)

(iv) Early adoption of standards

The Group has not applied any pronouncements to the annual reporting period beginning on 1 July 2010 where such application would result in them being applied prior to them becoming mandatory.

(v) Historical cost convention

These financial statements have been prepared under the historical cost convention.

(vi) Critical accounting judgements and key sources of estimate uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions regarding carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Key judgements in applying the entity's accounting policies are required in the following areas:

Rehabilitation

The Group recognises any obligations for removal and restoration that are incurred during a particular period as a consequence of having undertaken exploration and evaluation activity. The Group makes provision for future restoration expenditure relating to work previously undertaken based on management's estimation of the work required.

Share-based payments

The Group is required to use assumptions in respect of their fair value models, and the variable elements in these models, used in determining share based payments. The directors have used a model to value options, which requires estimates and judgements to quantify the inputs used by the model.

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the lease itself or, if not, whether it successfully recovers the related exploration and evaluation expenditure through sale. Factors that impact recoverability may include, but are not limited to, the level of resources and reserves, the cost of production, legal changes and commodity price changes.

Acquisition expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that the capitalised acquisition expenditure is determined not to be recoverable in future, profits and net assets will be reduced in the period in which this determination is made.

(vii) Comparatives

In some cases the classification, format and presentation of disclosures has changed from that presented in the prior year's financial report. Where reclassifications have been made the comparative numbers have also been reclassified.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Central Petroleum Limited ('Company' or 'Parent Entity') as at 30 June and the results of all subsidiaries for the year then ended. Central Petroleum Limited and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. Summary of significant accounting policies (continued)

The acquisition method is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non controlling interests (if applicable) in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Joint Ventures

The proportionate interests in the assets, liabilities, revenue and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Central Petroleum Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(e) Revenue recognition

(i) Interest Income

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

(ii) Government grants

Grants from the government, including research and development concessions, are recognised at their fair value where there is a reasonable assurance that the grant or refund will be received and the Group has or will comply with any conditions attaching to the grant or refund.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period in the countries where entities in the Group generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. Summary of significant accounting policies (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and

tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Central Petroleum Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Consolidated Entity will obtain ownership by the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts (if applicable) are shown within borrowings in current liabilities in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. Summary of significant accounting policies (continued)

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(k) Inventories

Inventories comprise drilling materials and spare parts and are valued at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on a first in first out cost basis. Cost of inventory includes the purchase price after deducting any rebates and discounts, as well as any associated freight charges.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(l) Other financial assets

Classification

The Group's financial assets consist of loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 7) and other financial assets (note 12) in the balance sheet. Amounts paid as performance bonds or amounts held as security for bank guarantees in satisfaction of performance bonds are classified as other financial assets.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

(m) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. Summary of significant accounting policies (continued)

Land is not depreciated. Depreciation of plant and equipment is calculated on a reducing balance basis so as to write off the net costs of each asset over the expected useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

The expected useful life for each class of depreciable assets is:

<i>Class of Fixed Asset</i>	<i>Expected useful life</i>
Buildings	40 years
Leasehold Improvements	2 – 6 years
Plant and Equipment	2 – 10 years

(n) Exploration expenditure

Exploration and evaluation costs are expensed as incurred. Acquisition costs of rights to explore 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.

(o) Intangible assets

(i) Software

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years.

(ii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 3 to 5 years.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. Summary of significant accounting policies (continued)

(q) Provisions

Provisions for legal claims, restoration, and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(r) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and long service leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share-based compensation benefits are provided to employees (including directors) by Central Petroleum Limited.

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. Summary of significant accounting policies (continued)

(s) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the exercise of all dilutive potential ordinary shares.

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(w) Parent entity financial information

The financial information for the parent entity, Central Petroleum Limited, disclosed in note 21, has been prepared on the same basis as the consolidated financial statements except as set out below.

Central Petroleum Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Central Petroleum Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts where recognition of such is permitted under accounting standards. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Central Petroleum Limited also recognises the current tax liabilities or assets and the deferred tax assets arising from unused tax losses from controlled entities, where permitted to recognise such assets under accounting standards.

(x) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment is that these standards are not expected to have a material impact on the consolidated entity in the current or future reporting periods and on foreseeable future transactions, other than as set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. Summary of significant accounting policies (continued)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013).

In July 2011 the AASB decided to remove the key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures* to achieve consistency with the international equivalent standard and to remove a duplication of the requirements of the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments will apply from 1 July 2013 and cannot be adopted early. The *Corporations Act 2001* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

Certain international standards and interpretations have also been published that have not yet been endorsed by the AASB as set out below.

IFRS 10 Consolidated Financial Statements

IFRS 10 introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The Group does not expect the new standard to have an impact on its composition as it currently stands.

IFRS 11 Joint Arrangements

IFRS 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. IFRS 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The Group is yet to evaluate its joint arrangements in light of the new guidance.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the required disclosures for entities reporting under the two new standards mentioned above, IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the Group's investments.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
2. Other income		
Interest	962,376	1,010,953
Research and development refunds	345,228	-
Foreign exchange gains	36,439	-
Other	13,601	180,625
Total other income	<u>1,357,644</u>	<u>1,191,578</u>
3. Expenses		
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	4,786	-
Plant and equipment	186,185	173,656
Leasehold improvements	1,553	2,750
Total depreciation	<u>192,524</u>	<u>176,406</u>
<i>Amortisation</i>		
Software	<u>72,370</u>	<u>65,873</u>
Write off of property, plant and equipment	5,058	-
Write off of intangible assets	6,159	-
Rental expense relating to operating leases – Minimum lease payments	433,265	360,555
Interest paid to suppliers and joint venture partners	3,161	58,663
Net foreign exchange losses included in general and administrative expenses for the year	-	18,205

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
4. Income tax		
The Consolidated Entity is in a tax loss position and is not yet in a situation whereby it can satisfy AASB112 for the recognition of its tax losses. Accordingly, no current or deferred income tax benefits have yet been brought to account.		
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
	-	-
 (b) Numerical reconciliation of income tax expense and prima facie tax benefit		
Loss before income tax expense	(36,643,523)	(11,809,727)
Prima facie tax benefit at 30% (2010: 30%)	10,993,057	3,542,918
<i>Tax effect of amounts which are not deductible in calculating taxable income:</i>		
Depreciation on buildings	(1,436)	-
Non-deductible expenses	(4,213)	(2,760)
Share based payments	(38,900)	(98,108)
<i>Movement in Items of deferred tax not recognised</i>		
Provisions and accruals	737,276	(714,675)
Blackhole expenditure	(41,066)	(167,270)
Accrued income	6,480	-
Capitalised exploration expenditure	75,302	(365,126)
	11,726,500	2,194,979
Adjustment to current tax of prior periods relating to additional exploration deductions available upon entry into tax consolidation	2,936,635	-
Adjustment to deferred tax of prior periods relating to provisions and accruals	(67,719)	-
	(14,595,416)	(2,194,979)
Income tax expense	-	-

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
4. Income tax (continued)		
(c) Amounts recognised directly in equity		
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Net deferred tax – debited (credited) directly to equity	181,281	(238,860)
Deferred tax assets not recognised	<u>(181,281)</u>	<u>238,860</u>
Net amounts recognised directly in equity	<u>-</u>	<u>-</u>
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised		
	<u>85,314,089</u>	<u>35,277,501</u>
Potential tax benefit @ 30%	<u>25,594,227</u>	<u>10,583,250</u>
(e) Deferred tax assets and liabilities		
Deferred tax assets		
Provisions	153,482	958,477
Capital raising costs	1,025,998	1,166,213
Undeducted losses	<u>25,594,227</u>	<u>10,583,250</u>
Total deferred tax assets before set-offs	26,773,707	12,707,940
Set-off of deferred tax liabilities pursuant to set-off provisions	<u>(3,153,030)</u>	<u>(3,071,248)</u>
Net deferred tax assets not recognised	<u>23,620,677</u>	<u>9,636,692</u>
Deferred tax liabilities		
Accrued income	6,480	-
Capitalised exploration expenditure	<u>3,146,550</u>	<u>3,071,248</u>
Total deferred tax liabilities before set-offs	3,153,030	3,071,248
Set-off of deferred tax liabilities pursuant to set-off provisions	<u>(3,153,030)</u>	<u>(3,071,248)</u>
Net deferred tax liabilities	<u>-</u>	<u>-</u>

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
5. Remuneration of auditors		
Following a motion carried at the Company's Annual General Meeting on 25 November 2010, the Company changed auditors from Stantons International to PwC. The following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:		
(a) PwC Australia		
<i>(i) Audit and other assurance services</i>		
Audit and review of financial statements	80,000	-
Other assurance services		
Review of governance processes, controls and systems	45,500	-
	125,500	-
<i>(ii) Taxation services</i>		
Tax compliance	300	-
International tax consulting and advice	47,319	-
	47,619	-
<i>(iii) Other services</i>		
Benchmarking services	5,950	-
Corporate and strategic advice	25,500	-
	31,450	-
	31,450	-
Total remuneration of PwC	204,569	-
(b) Stantons International		
<i>(i) Audit and other assurance services</i>		
Audit and review of financial statements – current year	-	100,546
Audit and review of financial statements – prior year (over)/under provision	(20,000)	40,095
Other assurance services		
Joint Venture audits – prior year under provision	2,000	53,500
	(18,000)	194,141
	(18,000)	194,141
Total remuneration of Stantons International	(18,000)	194,141
Total auditors' remuneration	186,569	194,141

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$

6. Cash and cash equivalents

Cash at bank and in hand	9,463,949	37,529,579
--------------------------	------------------	-------------------

Risk exposure

The Group's exposure to interest rate risk is discussed in Note 29. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of cash and cash equivalents.

7. Trade and other receivables

Current

Other receivables	37,446	13,408
GST receivables	3,250,856	2,409,870
Prepayments	180,235	76,426
Receivables due from joint ventures	-	10,519,679
	3,468,537	13,019,383

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 29.

8. Inventories

Drilling materials and supplies at cost	853,995	968,376
---	----------------	----------------

9. Property, plant and equipment

	Freehold Land \$	Freehold Buildings \$	Plant and equipment \$	Leasehold Improvements \$	Total \$
At 1 July 2009					
Cost	-	-	485,029	93,194	578,223
Accumulated depreciation	-	-	(151,741)	(86,540)	(238,281)
Net book amount	-	-	333,288	6,654	339,942

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

9. Property, plant and equipment (continued)

	Freehold Land \$	Freehold Buildings \$	Plant and equipment \$	Leasehold Improvements \$	Total \$
--	------------------------	-----------------------------	------------------------------	---------------------------------	-------------

Year ended 30 June 2010					
Opening net book amount	-	-	333,288	6,654	339,942
Additions and transfers	-	-	280,938	638	281,576
Depreciation charge	-	-	(173,656)	(2,750)	(176,406)
Closing net book amount	-	-	440,570	4,542	445,112

At 30 June 2010					
Cost	-	-	723,291	12,671	735,962
Accumulated depreciation	-	-	(282,721)	(8,129)	(290,850)
Net book amount	-	-	440,570	4,542	445,112

Year ended 30 June 2011					
Opening net book amount	-	-	440,570	4,542	445,112
Additions	230,000	191,452	156,627	-	578,079
Disposals, write offs and adjustments	-	-	(2,309)	-	(2,309)
Depreciation charge	-	(4,786)	(186,185)	(1,553)	(192,524)
Closing net book amount	230,000	186,666	408,703	2,989	828,358

At 30 June 2011					
Cost	230,000	191,452	877,332	12,670	1,311,454
Accumulated depreciation	-	(4,786)	(468,629)	(9,681)	(483,096)
Net book amount	230,000	186,666	408,703	2,989	828,358

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
10. Exploration assets		
Acquisition costs of rights to explore	<u>10,488,500</u>	<u>10,237,492</u>
<i>Movements for the year:</i>		
Balance at the beginning of the year	10,237,492	10,168,783
Expenditure incurred during the year	319,718	68,709
Expenditure written off during the year	<u>(68,710)</u>	<u>-</u>
Balance at the end of the year	<u>10,488,500</u>	<u>10,237,492</u>
11. Intangible assets		
Software		
<i>At the beginning of the year</i>		
Cost	269,174	63,158
Accumulated amortisation	<u>(121,054)</u>	<u>(13,520)</u>
Net book value	<u>148,120</u>	<u>49,638</u>
<i>Movements for the year:</i>		
Opening net book amount	148,120	49,638
Additions	5,565	164,355
Disposals, write offs and other adjustments	(8,909)	-
Amortisation	<u>(72,370)</u>	<u>(65,873)</u>
Closing net book amount	<u>72,406</u>	<u>148,120</u>
<i>At the end of the year</i>		
Cost	264,456	269,174
Accumulated amortisation	<u>(192,050)</u>	<u>(121,054)</u>
Net book value	<u>72,406</u>	<u>148,120</u>
12. Other financial assets		
Security bonds on exploration permits	<u>2,412,746</u>	<u>3,428,923</u>

Security bonds are provided to State or Territory governments in respect of certain performance obligations arising from awarded petroleum and mineral tenements. The bonds are typically provided as cash or as bank guarantees in favour of the State or Territory government secured by term deposits with the financial institution providing the bank guarantee.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
13. Trade and other payables		
Trade payables	806,588	8,399,750
Other payables	450,741	638,557
	1,257,329	9,038,307
<p>Trade payables are usually non-interest bearing provided payment is made within the terms of credit. The consolidated entity's exposure to liquidity and currency risks related to trade and other payables is disclosed in Note 29.</p>		
14. Current liabilities - Provisions		
Employee entitlements	326,128	225,729
Restoration and rehabilitation	60,000	-
	386,128	225,729
(a) Movements in restoration and rehabilitation provision		
Carrying amount at start of year	-	150,000
Charged/(credited) to profit or loss	60,000	(150,000)
Carrying amount at end of year	60,000	-
(b) Amounts not expected to be settled within the next 12 months		
<p>The current provision for employee entitlements includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service. The amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement for these obligations. However, based on past experience the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken within the next 12 months.</p>		
Leave obligations expected to be settled after 12 months	102,131	-
15. Non-current liabilities - Provisions		
Employee entitlements – long service leave	49,862	-

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$

16. Contributed equity

(a) Share Capital

982,298,842 (2010: 907,289,333) fully paid ordinary shares	99,105,548	93,209,470
--	-------------------	-------------------

(b) Movements in ordinary share capital

	Number of shares		\$	
	2011	2010	2011	2010
Balance at start of year	907,289,333	564,244,921	93,209,470	68,685,229
Exercise of listed options at 16 cents per share	9,509	154,956	1,281	24,793
Conversion of bonds	-	41,068,172	-	4,000,000
Rights issue May 2010 at 7.5 cents per share	-	301,821,284	-	22,636,577
Placement of shares to sophisticated investors on 30 September 2010 at 8.6 cents per share	75,000,000	-	6,450,000	-
Capital raising costs	-	-	(555,203)	(2,137,129)
	982,298,842	907,289,333	99,105,548	93,209,470

(c) Options granted during the year

The following options over unissued ordinary shares were granted by the Company during the year:

Date of Issue	Class	Expiry Date	Exercise Price	Number of Options
9 Nov 2010	Unlisted Employee Options	31 Oct 2015	\$0.11	800,000
12 May 2011	Unlisted Employee Options	12 May 2016	\$0.12	300,000

(d) Options exercised during the year

The following options over unissued ordinary shares were exercised during the year:

Class	Expiry Date	Exercise Price	Number of Options
Listed options (CTPO)	31 Mar 2014	\$0.16	9,509

(e) Options lapsed during the year

The following options over unissued ordinary shares lapsed during the year:

Class	Expiry Date	Exercise Price	Number of Options
Unlisted Employee Options	30 Nov 2010	\$0.30	1,800,000
Unlisted Vendor Options	20 Feb 2011	\$0.20	7,000,000
Unlisted Employee Options	31 Mar 2011	\$0.30	1,450,000

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

16. Contributed equity (continued)

(f) Unissued shares under option

At year end, options over unissued ordinary shares of the Company are as follows:

Class	Expiry Date	Exercise Price	Number of Options
Listed options (CTPO)	31 Mar 2014	\$0.16	274,310,525
Unlisted Employee Options	31 Jul 2011	\$0.33	200,000
Unlisted Employee Options	31 Aug 2011	\$0.30	500,000
Unlisted Employee Options	17 Nov 2011	\$0.25	666,666
Unlisted Employee Options	19 Jan 2012	\$0.25	1,000,000
Unlisted Employee Options	16 Feb 2012	\$0.25	250,000
Unlisted Employee Options	23 Feb 2012	\$0.25	200,000
Unlisted Employee Options	31 Mar 2014	\$0.20	8,366,666
Unlisted Employee Options	31 May 2015	\$0.122	6,340,000
Unlisted Employee Options	31 Oct 2015	\$0.11	800,000
Unlisted Employee Options	12 May 2016	\$0.12	300,000
Unlisted Director Options	3 Jan 2012	various	11,000,000
Unlisted Director Options	31 Mar 2014	various	7,500,000

None of the options entitle holders to participate in any share issue of the Company or any other entity.

(g) Capital risk management

The Group's objective when managing capital is to safeguard the ability to continue as a going concern to ultimately add value for shareholders through the exploitation of hydrocarbon resources. This is monitored through the use of cash flow forecasts.

In order to maintain the capital structure, the Group may issue new shares or other equity instruments. Given the Group is still in the exploration phase, equity is the sole source of funding. Debt is not a viable option and therefore gearing ratios are not currently applicable.

2011	2010
\$	\$

17. Reserves

Share options reserve	<u>6,893,100</u>	<u>6,763,432</u>
Movements:		
Balance at start of year	6,763,432	6,436,405
Share based payments expense	<u>129,668</u>	<u>327,027</u>
Balance at end of year	<u><u>6,893,100</u></u>	<u><u>6,763,432</u></u>

The reserve is used to record the value of share based payments provided to employees and directors as part of their remuneration. Refer to note 28 for further details of share based payments.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
18. Accumulated losses		
Movements in accumulated losses were as follows:		
Balance at the start of the year	(43,459,953)	(31,650,226)
Net loss for the year	<u>(36,643,523)</u>	<u>(11,809,727)</u>
Balance at the end of the year	<u>(80,103,476)</u>	<u>(43,459,953)</u>
19. Loss per share		
(a) Basic loss per share (cents)	<u>(3.80)</u>	<u>(3.49)</u>
(b) Diluted loss per share (cents)	<u>(3.80)</u>	<u>(3.49)</u>
(c) Loss used in loss per share calculation		
Loss attributable to ordinary equity holders of the Company	<u>(36,643,523)</u>	<u>(11,809,727)</u>
(d) Weighted average number of ordinary shares		
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	<u>963,598,282</u>	<u>338,476,501</u>

Options on issue are considered to be potential ordinary shares and have not been included in the calculation of basic earnings per share. Additionally, any exercise of the options would be antidilutive as their exercise to ordinary shares would decrease the loss per share. In accordance with AASB 133 they are also excluded from the diluted loss per share calculation. Refer to Note 16 for details of options on issue.

20. Segment reporting

Management has considered the operating segments based on the reports reviewed by the chief operating decision maker, being the board of directors, that are used to make strategic decisions. As the consolidated entity is in the exploration phase of operations, the board considers the business as a whole, and makes decisions on the allocation of resources based on its strategic objectives.

The operations of the consolidated entity involve a single industry segment being that of exploration for hydrocarbons, helium, and coal/coal seam gas. The consolidated entity's operations are wholly in one geographical location being Australia.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	PARENT ENTITY	
	2011	2010
	\$	\$

21. Parent entity information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Balance Sheet

Current assets	5,582,000	24,515,465
Non-current assets	<u>12,994,160</u>	<u>13,788,010</u>
Total assets	<u>18,576,160</u>	<u>38,303,475</u>
Current liabilities	(1,238,240)	(7,454,137)
Non-current liabilities	<u>(49,862)</u>	<u>-</u>
Total liabilities	<u>(1,288,102)</u>	<u>(7,454,137)</u>
Net assets	<u>17,288,058</u>	<u>30,849,338</u>
<i>Shareholders' equity:</i>		
Issued capital	99,105,548	93,209,470
Reserves	6,893,100	6,763,432
Accumulated losses	<u>(88,710,590)</u>	<u>(69,123,564)</u>
Total equity	<u>17,288,058</u>	<u>30,849,338</u>
Loss for the year	<u>(19,587,026)</u>	<u>(38,797,122)</u>
Total comprehensive loss	<u>(19,587,026)</u>	<u>(38,797,122)</u>

(b) Guarantees entered into by the parent entity

No guarantees have been provided by the parent entity (2010: Nil).

(c) Contingent liabilities of the parent entity

A contingent asset exists in relation to proceedings brought against a supplier. Details are set out in Note 26 (b). There are no contingent liabilities (2010: Nil).

(d) Commitments of the parent entity

Operating lease commitments of the parent entity are set out in note 27 (b).

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

22. Related party transactions

(a) Parent entity

The parent entity is Central Petroleum Limited.

(b) Subsidiaries

The consolidated financial statements include the financial statements of Central Petroleum Limited and the subsidiaries listed in the following table.

Name of entity	Place of Incorporation	Class of Shares	Equity holding	
			2011	2010
			%	%
Merlin Energy Pty Ltd	Western Australia	Ordinary	100	100
Merlin West Pty Ltd	Western Australia	Ordinary	100	100
Helium Australia Pty Ltd	Victoria	Ordinary	100	100
Ordiv Petroleum Pty Ltd	Western Australia	Ordinary	100	100
Frontier Oil & Gas Pty Ltd	Western Australia	Ordinary	100	100
Central Green Pty Ltd	Western Australia	Ordinary	100	100
Central Geothermal Pty Ltd	Western Australia	Ordinary	100	100
Merlin Coal Pty Ltd	Western Australia	Ordinary	100	100
Central Petroleum Services Pty Ltd	Western Australia	Ordinary	100	100

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 23.

	2011	2010
	\$	\$
(d) Transactions with other related parties		
<i>Superannuation contributions</i>		
Contributions to superannuation funds on behalf of employees	242,169	197,803

23. Key management personnel

(a) Key management personnel compensation

Short-term employee benefits	1,617,610	1,433,903
Post-employment benefits	133,051	119,029
Non-monetary benefits	24,178	16,750
Termination benefits	64,856	-
Share based payments	61,856	208,528
	<u>1,901,551</u>	<u>1,778,210</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 22 to 30.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

23. Key management personnel (continued)

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with the terms and conditions of the options, can be found in the remuneration report on pages 25 and 26.

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Central Petroleum Limited and other key management personnel of the consolidated entity, including their personally related parties, are set out below.

	Balance at start of year	Granted as compensation	Exercised	Other changes	Balance at end of year	Vested and exercisable	Unvested
Directors							
Henry Askin							
2011	5,340,000	-	-	-	5,340,000	5,340,000	-
2010	5,900,000	-	-	-	5,340,000	5,340,000	-
John Heugh							
2011	7,503,978	-	-	300,000	7,803,978	7,803,978	-
2010	12,050,000	-	-	-	7,503,978	7,503,978	-
Richard Faull							
2011	3,580,550	-	-	-	3,580,550	3,580,550	-
2010	5,065,550	-	-	-	3,580,550	3,580,550	-
William Dunmore							
2011	3,400,000	-	-	-	3,400,000	3,400,000	-
2010	4,000,000	-	-	-	3,400,000	3,400,000	-
Other key management personnel							
Tim Green (to 31/01/11)							
2011	2,404,500	-	-	-	N/A	N/A	N/A
2010	2,400,000	-	-	4,500	2,404,500	1,604,500	800,000
Stewart Bayford							
2011	2,400,000	-	-	-	2,400,000	2,400,000	-
2010	2,400,000	-	-	-	2,400,000	1,600,000	800,000
Julian Tambyrajah (to 10/07/09)							
2010	4,000,000	-	-	(2,666,668)	N/A	N/A	N/A
Bruce Elsholz (from 31/08/09)							
2011	2,000,000	-	-	-	2,000,000	1,333,332	666,668
2010	N/A	2,000,000	-	-	2,000,000	666,666	1,333,334
Daniel White (from 30/11/09)							
2011	3,096,000	-	-	-	3,096,000	2,096,000	1,000,000
2010	N/A	3,000,000	-	96,000	3,096,000	1,096,000	2,000,000

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

23. Key management personnel (continued)

(iii) Share holdings

The number of shares in the Company held during the financial year by each director of Central Petroleum Limited and other key management personnel of the consolidated entity, including their personally related parties, are set out below. There were no shares granted as compensation during the year.

	Balance at start of year	Held at date of appointment	Renounceable rights issue purchase	On exercise of options	Net change other	Held at date of departure	Balance at end of year
Directors							
Henry Askin							
2011	3,600,000	-	-	-	-	N/A	3,600,000
2010	2,400,000	-	1,200,000	-	-	N/A	3,600,000
John Heugh							
2011	5,703,693	-	-	-	37,736	N/A	5,741,429
2010	5,683,803	-	19,890	-	-	N/A	5,703,693
Richard Faulk							
2011	2,386,100	-	-	-	-	N/A	2,386,100
2010	2,311,100	-	75,000	-	-	N/A	2,386,100
William Dunmore							
2011	776,666	-	-	-	-	N/A	776,666
2010	776,666	-	-	-	-	N/A	776,666
Other key management personnel							
Tim Green (to 31/01/11)							
2011	90,000	-	-	-	-	90,000	N/A
2010	-	-	22,500	-	67,500	N/A	90,000
Stewart Bayford							
2011	-	-	-	-	-	N/A	-
2010	-	-	-	-	-	N/A	-
Julian Tambyrajah (to 10/07/09)							
2010	-	-	N/A	-	-	-	N/A
Bruce Elsholz (from 31/08/09)							
2011	-	-	-	-	-	N/A	-
2010	N/A	-	-	-	-	N/A	-
Daniel White (from 30/11/09)							
2011	1,440,000	-	-	-	-	N/A	1,440,000
2010	N/A	-	480,000	-	960,000	N/A	1,440,000

(c) Other transactions with key management personnel

During the year ended 30 June 2011 the consolidated entity paid \$59,423 (2010: \$13,603) to Dunmore Consulting, a business in which Mr Dunmore is the principal, for the provision of corporate advisory services. This transaction was on normal commercial terms and conditions no more favourable than those available to other parties.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
24. Reconciliation of loss after income tax to net cash outflow from operating activities		
Loss after income tax	(36,643,523)	(11,809,727)
<i>Adjustments for:</i>		
Depreciation and amortisation	264,894	242,279
Share-based payments	129,668	327,027
Write off of property, plant and equipment	5,058	-
Write off of intangible assets	6,159	-
Foreign exchange (gain)/loss	-	18,206
<i>Changes in assets and liabilities relating to operating activities:</i>		
Decrease/ (increase) in receivables and prepayments	9,464,834	(10,876,428)
Decrease/(increase) in inventories	114,381	(403,208)
Decrease/(increase) in exploration assets	68,709	(68,709)
(Decrease)/Increase in creditors	(7,780,978)	3,043,144
Increase/(decrease) in provisions	210,261	(76,215)
Net cash outflow from operating activities	<u>(34,160,537)</u>	<u>(19,603,631)</u>

25. Non-cash investing and financing activities

There were no non-cash investing and financing activities (2010: Nil).

26. Contingencies

(a) Contingent liabilities

The consolidated entity had contingent liabilities at 30 June 2011 in respect of certain joint venture payments. As partial consideration under the terms of the purchase agreement for EPs 105, 106 and 107, there is a requirement to pay the vendor the sum of \$1,000,000 (2010: \$1,000,000) within twelve months following the commencement of any future commercial production from the permits.

(b) Contingent assets

On 31 March 2011, the Company announced it had initiated legal proceedings against Century Energy Services Pty Ltd to protect its interests.

The proceedings follow an unplanned incident which occurred during the drilling of Surprise-1 in EP 115 whereby the monkey board and 129 stands of racked drill pipe twisted around the rig mast by thirty degrees whilst the wireline sheaves were being repositioned. This incident resulted in the Company having to necessarily terminate the drilling contract with Century Energy Services Pty Ltd for performance related issues.

The directors believe a favourable outcome is probable. However, the contingent asset has not been recognised as a receivable at 30 June 2011 as receipt of the amount is dependent on the outcome of the proceedings.

There were no contingent assets at 30 June 2010.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

27. Commitments

(a) Capital commitments

The consolidated entity has exploration expenditure commitments on the following permits:

Petroleum EP's 82,93,97,105,106,107,112,115,118, and 125.

Mineral EL's - 27094, 27100, 27101, 27102, 27103, 27104, 27105, 27107, 27108, 27109, 27110, 27114, 28095, 28096, 28097.

Geothermal permits GEP 27833, 27834, 27835.

	2011	2010
	\$	\$
Within one year	11,634,000	9,160,263
Later than one year but not later than five years	57,041,000	44,540,000
Later than five years	-	1,300,000
	68,675,000	55,000,263

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

(b) Operating lease commitments

The consolidated entity, through its parent entity Central Petroleum Limited, has non-cancellable operating leases for office premises in Perth and Alice Springs. The leases have varying terms, escalation clauses and renewal rights.

	2011	2010
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	384,494	420,112
Later than one year but not later than five years	185,364	522,447
	569,858	942,559

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

28. Share based payments
(a) Employee options

An Incentive Option Scheme operates to provide incentives for employees. Participation in the plan is at the board's discretion; however the plan is open to all employees and directors of the Company.

At the discretion of the Company, performance criteria may or may not be established in respect of options that vest under the Incentive Option Scheme. Options are granted for no consideration. Options that have been granted to date to employees, excluding directors, have contained service conditions in respect of their vesting. Options have vested progressively from grant date to, in some cases, an employee's third anniversary. As of the date of this report no options issued under the Incentive Option Scheme have contained any performance criteria in respect of their vesting.

There are no rules imposing a restriction on removing the 'at risk' aspect of options granted to employees or directors. One ordinary share is issued upon exercise of one option.

Set out below are summaries of options that have been granted to directors and employees.

Expiry Date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year ¹ Number	Balance at end of the year Number	Vested and exercisable at the end of the year
2011							
30 November 2010	\$0.30	1,800,000	-	-	(1,800,000)	-	-
20 February 2011	\$0.20	7,000,000	-	-	(7,000,000)	-	-
31 March 2011	\$0.30	1,450,000	-	-	(1,450,000)	-	-
31 July 2011	\$0.33	200,000	-	-	-	200,000	200,000
31 August 2011	\$0.30	500,000	-	-	-	500,000	500,000
17 November 2011	\$0.25	666,666	-	-	-	666,666	666,666
3 January 2012	\$0.28	2,200,000	-	-	-	2,200,000	2,200,000
3 January 2012	\$0.33	2,200,000	-	-	-	2,200,000	2,200,000
3 January 2012	\$0.37	2,200,000	-	-	-	2,200,000	2,200,000
3 January 2012	\$0.43	2,200,000	-	-	-	2,200,000	2,200,000
3 January 2012	\$0.50	2,200,000	-	-	-	2,200,000	2,200,000
19 January 2012	\$0.25	1,000,000	-	-	-	1,000,000	1,000,000
16 February 2012	\$0.25	250,000	-	-	-	250,000	250,000
23 February 2012	\$0.25	200,000	-	-	-	200,000	150,000
31 March 2014	\$0.22	1,500,000	-	-	-	1,500,000	1,500,000
31 March 2014	\$0.25	1,500,000	-	-	-	1,500,000	1,500,000
31 March 2014	\$0.28	1,500,000	-	-	-	1,500,000	1,500,000
31 March 2014	\$0.32	1,500,000	-	-	-	1,500,000	1,500,000
31 March 2014	\$0.37	1,500,000	-	-	-	1,500,000	1,500,000
31 March 2014	\$0.20	8,366,666	-	-	-	8,366,666	8,316,666
31 May 2015	\$0.122	6,340,000	-	-	-	6,340,000	4,369,999
31 October 2015	\$0.11	-	800,000	-	-	800,000	266,667
12 May 2016	\$0.12	-	300,000	-	-	300,000	200,000
Totals		46,273,332	1,100,000	-	(10,250,000)	37,123,332	34,419,998
Weighted average exercise price		\$0.258	\$0.113	-	\$0.232	\$0.261	\$0.271
Weighted average remaining contractual life (years) at the end of the year						2.33	

¹ No options were forfeited during the year

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

28. Share based payments (continued)

Expiry Date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired or forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at the end of the year
2010							
31 January 2010	\$0.25	300,000	-	-	(300,000)	-	-
31 May 2010	\$0.20	21,250,000	-	-	(21,250,000)	-	-
30 November 2010	\$0.30	1,800,000	-	-	-	1,800,000	1,800,000
20 February 2011	\$0.20	7,000,000	-	-	-	7,000,000	7,000,000
31 March 2011	\$0.30	1,450,000	-	-	-	1,450,000	1,450,000
31 July 2011	\$0.33	200,000	-	-	-	200,000	150,000
31 August 2011	\$0.30	500,000	-	-	-	500,000	500,000
17 November 2011	\$0.25	2,000,000	-	-	(1,333,334) ¹	666,666	666,666
3 January 2012	\$0.28	2,200,000	-	-	-	2,200,000	2,200,000
3 January 2012	\$0.33	2,200,000	-	-	-	2,200,000	2,200,000
3 January 2012	\$0.37	2,200,000	-	-	-	2,200,000	2,200,000
3 January 2012	\$0.43	2,200,000	-	-	-	2,200,000	2,200,000
3 January 2012	\$0.50	2,200,000	-	-	-	2,200,000	2,200,000
19 January 2012	\$0.25	1,000,000	-	-	-	1,000,000	666,666
16 February 2012	\$0.25	250,000	-	-	-	250,000	200,000
23 February 2012	\$0.25	200,000	-	-	-	200,000	150,000
31 March 2014	\$0.22	1,500,000	-	-	-	1,500,000	1,500,000
31 March 2014	\$0.25	1,500,000	-	-	-	1,500,000	1,500,000
31 March 2014	\$0.28	1,500,000	-	-	-	1,500,000	1,500,000
31 March 2014	\$0.32	1,500,000	-	-	-	1,500,000	1,500,000
31 March 2014	\$0.37	1,500,000	-	-	-	1,500,000	1,500,000
31 March 2014	\$0.20	9,700,000	-	-	(1,333,334) ¹	8,366,666	6,333,332
31 May 2015	\$0.122	-	6,340,000	-	-	6,340,000	2,230,000
Totals		64,150,000	6,340,000	-	(24,216,668)	46,273,332	39,646,664
Weighted average exercise price		\$0.251	\$0.122	-	\$0.203	\$0.258	\$0.275
Weighted average remaining contractual life (years) at the end of the year						2.55	

¹ Options forfeited during the year

(b) Employee options granted during the year

Options granted during the year ended 30 June 2011 were valued using a binomial option pricing model. The Black Scholes options pricing model was used to value options for the year ended 30 June 2010. The model inputs for option issued during the year included:

Grant date	Expiry date	Number of options	Average fair value per option	Exercise price	Price of shares on grant date	Estimated volatility*	Risk free interest rate	Dividend yield
2011								
9 Nov 2010	31 Oct 2015	800,000	\$0.031	\$0.110	\$0.07	85.56%	5.10%	0.0%
12 May 2011	12 May 2016	300,000	\$0.029	\$0.120	\$0.07	85.40%	5.05%	0.0%
2010								
1 Jun 2010	31 May 2015	6,340,000	\$0.026	\$0.122	\$0.07	49.30%	4.50%	0.0%

* The estimated price volatility is based on the historical price volatility for the 12 months prior to the date of granting of the options, adjusted for any expected changes to future volatility due to publicly available information.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

28. Share based payments (continued)

(c) Expenses arising from share-based payment transactions

Total expenses arising from share based transactions recognised during the year were:

	2011	2010
	\$	\$
Options issued to directors and employees	129,668	327,027

29. Financial risk management

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

(a) Credit Risk

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

The aging of the consolidated entity's receivables at reporting date was:

Trade and other receivables	Gross		Impairment	
	2011	2010	2011	2010
	\$	\$	\$	\$
Past due: 0 – 30 days	117,131	9,958,738	-	-
Past due: 31 – 150 days	538,458	-	-	-
Past due: 151 – 365 days	1,575,927	1,548,237	-	-
Past due: More than 1 year	1,056,786	231,186	-	-
	3,288,302	11,738,161	-	-

Based on historic default rates, the consolidated entity believes that no impairment allowance is necessary in respect of receivables past due by up to 150 days.

The receivables at 30 June 2011 relate predominantly to GST refunds due from the Australian Taxation Office (ATO). The Company is the operator of a number of exploration joint ventures and lodges returns to claim back GST on creditable acquisitions. The ATO had been undertaking a review of the claims. The review was substantially completed in late June 2011 and the consolidated entity expects to realise all amounts shown as receivables at year end.

(b) Liquidity Risk

The following are the contractual maturities of financial assets and liabilities:

2011	≤ 6 months \$	6 - 12 months \$	1 - 5 years \$	≥ 5 years \$	Total \$
Financial Assets					
Cash and cash equivalents	9,463,949	-	-	-	9,463,949
Trade and other receivables	3,288,302	-	-	-	3,288,302
Other financial assets	-	-	2,412,746	-	2,412,746
	12,752,251	-	2,412,746	-	15,164,997
Financial Liabilities					
Trade and other payables	(1,257,329)	-	-	-	(1,257,329)
	(1,257,329)	-	-	-	(1,257,329)

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

29. Financial risk management (continued)

2010	≤ 6 months \$	6 - 12 months \$	1 - 5 years \$	≥ 5 years \$	Total \$
Financial Assets					
Cash and cash equivalents	37,529,579	-	-	-	37,529,579
Trade and other receivables	11,738,161	-	-	-	11,738,161
Other financial assets	1,329,200	-	2,099,723	-	3,428,923
	50,596,940	-	2,099,723	-	52,696,663
Financial Liabilities					
Trade and other payables	(7,833,511)	-	-	-	(7,833,511)
	(7,833,511)	-	-	-	(7,833,511)

(c) Interest Rate Risk

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

Consolidated	Weighted Average Effective Interest Rate		Floating interest rate		Fixed interest		Non-interest bearing		Total	
	2011 %	2010 %	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Financial Assets:										
Cash and cash equivalents	2.7	4.0	9,463,949	37,529,579	-	-	-	-	9,463,949	37,529,579
Trade and other receivables	-	-	-	-	-	-	3,288,302	11,738,161	3,288,302	11,738,161
Other financial assets	5.7	5.5	-	-	2,271,438	3,388,923	141,308	40,000	2,412,746	3,428,923
			9,463,949	37,529,579	2,271,438	3,388,923	3,429,610	11,778,161	15,164,997	52,696,663
Financial Liabilities:										
Trade and other payables	-	-	-	-	-	-	1,257,329	7,833,151	1,257,329	7,833,151
			-	-	-	-	1,257,329	7,833,151	1,257,329	7,833,151
Net Financial Assets/(Liabilities)			9,463,949	37,529,579	2,271,438	3,388,923	2,172,281	3,945,010	13,907,668	44,863,512

Interest Rate Sensitivity

A sensitivity of 10 per cent has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 10% movement in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below based on the average amount of interest bearing financial instruments held. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed only on those financial assets and liabilities with floating interest rates and is prepared on the same basis as for 2010.

	Profit or Loss		Equity	
	10% Increase	10% Decrease	10% Increase	10% Decrease
2011				
Cash and cash equivalents	25,309	(25,309)	-	-
2010				
Cash and cash equivalents	150,118	(150,118)	-	-

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

29. Financial risk management (continued)

(d) Currency Risk

The consolidated entity's exposure to currency risk is limited due to its ongoing operations being in Australia and all associated contracts completed in Australian dollars. A small foreign exchange risk arises from liabilities denominated in a currency other than Australian dollars. The Group generally does not undertake any hedging or forward contract transactions as the exposure is considered immaterial, however individual transactions are reviewed for any potential currency risk exposure.

(e) Fair Values

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

30. Interests in joint ventures

Details of joint ventures in which the consolidated entity has an interest are as follows:

	Principal activities	2011	2010
		%	%
EP 97 Joint Venture (Rawson)	Oil & gas exploration	80.00	80.00
EP 115 Joint Venture (Trident)	Oil & gas exploration	100.00	90.00
EPA 111 Joint Venture (Trident)	Oil & gas exploration	100.00	90.00
EPA 130 (Great Southern Gas)	Oil & gas exploration	100.00	55.00
EP 82 Magee Joint Venture (OGE)	Oil & gas exploration	86.12	75.00
EP 125 Mt Kitty Joint Venture (OGE)	Oil & gas exploration	76.54	75.00

Rawson = Rawson Resources Limited

TRI = Trident Energy Limited

OGE = Oil and Gas Exploration Limited (formerly He Nuclear Limited)

The interests in the assets and liabilities of the joint ventures are included in the consolidated entity's balance sheets in accordance with the accounting policy described in note 1(b) under the following classifications:

	2011	2010
	\$	\$
Current assets		
Cash and cash equivalents	228,707	14,964,864
Trade and other receivables	371,323	7,264,265
Total assets	<u>600,030</u>	<u>22,229,129</u>
Current liabilities		
Trade and other payables	<u>87,919</u>	<u>4,033,016</u>
Net assets	<u>512,111</u>	<u>18,196,113</u>
Joint venture contribution to loss before tax		
Revenue	110,021	139,571
Expenses	<u>(18,794,907)</u>	<u>(8,904,024)</u>
Loss before income tax	<u>(18,684,886)</u>	<u>(8,764,453)</u>

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

31. Convertible notes

As announced on 3 June 2011, the Company exercised its right to terminate a Bond Subscription Agreement.

In November 2007, Central Petroleum Limited entered into an \$80,000,000 Bond Subscription Agreement with D.B. Zwiir Mauritius Trading No. 3 Limited ("DBZ"). DBZ novated the Bond Subscription Agreement to Asia Convertible Bond Opportunities LLC on 9 September 2008.

During the year ended 30 June 2010 the Company issued four tranches of 100 convertible bonds at an issue price of \$10,000 each to Asia Convertible Bond Opportunities, LLC for a total subscription amount of \$4,000,000. The bonds were subsequently converted to shares at various prices per share, resulting in the issue of 41,068,172 shares. A total of \$10,000,000 in convertible bonds had been issued and subsequently converted to equity at the date of termination of the agreement.

32. Events occurring after the reporting period

Subsequent to 30 June 2011 the following events have occurred:

(i) Option issues

The Company issued further options to employees as set out below:

Grant Date	Number of options issued	Exercise price	Expiry Date
20 July 2011	7,646,665	11 cents	20 July 2016
19 August 2011	2,000,000	11.5 cents	19 August 2016
30 August 2011	4,000,000	11.5 cents	30 August 2016

(ii) Capital Raising

The Company completed a share placement on 21 September 2011. A total of 91 million shares were placed at 5.5 cents per share raising additional capital of approximately \$5 million before costs. The Company concurrently announced a Share Purchase Plan, also at 5.5 cents share, to provide existing shareholders the opportunity to invest at the same price as the placees. The Share Purchase Plan is underwritten by Patersons Securities Limited for \$5.5 million and has a closing date of 20 October 2011.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' DECLARATION

In the directors opinion :

- a) the financial statements and notes set out on pages 40 to 75 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors:



JP Heugh
Director

Perth, 30 September 2011



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

Report on the financial report

We have audited the accompanying financial report of Central Petroleum Limited (the company) which comprises the balance sheet as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Central Petroleum Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

PricewaterhouseCoopers, ABN 52 780 433 757
QV1, 250 St Georges Terrace, PERTH WA 6000, GPO BOX D198, PERTH WA 6840
T +61 8 9238 3000, F +61 8 9238 3999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



**Independent auditor's report to the members of
Central Petroleum Limited (cont'd)**

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Central Petroleum Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Central Petroleum Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'William P R Meston'.

William P R Meston
Partner

Perth
30 September 2011

CENTRAL PETROLEUM LIMITED

ABN 72 083 254 308

ASX ADDITIONAL INFORMATION AT 22 SEPTEMBER 2011

Details of shares and options as at 22 September 2011:

Top holders

The 20 largest registered holders of each class of quoted equity security as at 22 September 2011 were:

Ordinary fully paid shares

	Name	No. of Shares	%
1.	National Nominees Limited	49,549,830	4.62
2.	Brighten International Pty Ltd	22,841,551	2.13
3.	Citicorp Nominees Pty Limited	20,944,992	1.95
4.	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/c>	11,342,086	1.06
5.	Renlyn Bell Investments Pty Ltd <G&R Bonaccorso Family A/c>	10,416,670	0.97
6.	RBJ Nominees Pty Ltd <Superannuation Fund A/c>	9,375,000	0.87
7.	Franze Holdings Pty Ltd	9,360,000	0.87
8.	Mr Mark Philip Shawcross	9,000,000	0.84
9.	AMG International Pty Ltd	8,915,000	0.83
10.	Salavente Pty Ltd <GRB Superannuation Fund A/c>	8,625,000	0.80
11.	JP Morgan Nominees Australia Limited <Cash Income A/c>	7,708,557	0.72
12.	Merrill Lynch (Australia) Nominees Pty Limited	7,294,555	0.68
13.	Colbern Fiduciary Nominees Pty Ltd	7,181,818	0.67
14.	Advent Energy Ltd	6,250,000	0.58
15.	Mr John Phillip Heugh	5,741,429	0.53
16.	Forsyth Barr Custodians Ltd <Forsyth Barr Ltd – Nominee A/c>	5,549,563	0.52
17.	Agens Pty Limited <Mark Collins Family A/c>	5,324,176	0.50
18.	HSBC Custody Nominees Australia Limited	5,216,189	0.49
19.	My Anthony Norman Buist	5,066,000	0.47
20.	Marford Group Pty Ltd <Aggressive Trade A/c>	5,000,000	0.46
		220,702,416	20.56

Options exercisable at \$0.16 each on or before 31 March 2014

	Name	No. of Options	%
1.	Franze Holdings Pty Ltd	9,730,000	3.55
2.	CIMB Securities (Singapore) Pte Ltd <Client A/c>	9,000,000	3.28
3.	Avatar Equities Pty Ltd <Avatar Share Trading A/c>	5,662,526	2.06
4.	Madeiras Pty Ltd <Visser Super Fund A/c>	5,300,000	1.93
5.	Mr Terry Visser + Mrs Hafidah Visser	4,600,000	1.68
6.	Renlyn Bell Investments Pty Ltd <G&R Bonaccorso Family A/c>	4,350,000	1.59
7.	Citicorp Nominees Pty Limited	4,347,268	1.58
8.	Dr Kelvin Lo + Mrs Yoke Lo <Nu Piggie Super Fund A/c>	4,000,000	1.46
9.	National Nominees Limited	3,289,750	1.20
10.	Merrill Lynch (Australia) Nominees Pty Limited Mr Robert William Dean + Mrs Waraporn Chanadoungdee <Dean Family Super Fund A/c>	3,255,563	1.19
11.	Advent Energy Ltd	3,150,000	1.15
12.	Mr Terence McCarthy	3,125,000	1.14
13.	ICM Australia Pty Ltd	3,050,000	1.11
14.	Victor M Lewis Pty Ltd	3,000,000	1.09
15.	Mrs Yoke Shaw Lo + Dr Kelvin Lo <Nu Piggie Super Fund A/c>	2,950,588	1.08
16.	Leet Investments Pty Ltd	2,700,000	0.98
17.	Mr James David Harry Boddam-Whetham	2,500,000	0.91
18.	Jannarn Pty Ltd <Prabhakar Super Fund A/c>	2,491,648	0.91
19.	Ms Mooi Fah Lee	2,450,000	0.89
20.		2,353,838	0.86
		81,306,181	29.64

CENTRAL PETROLEUM LIMITED

ABN 72 083 254 308

ASX ADDITIONAL INFORMATION AT 22 SEPTEMBER 2011**Distribution schedules**

A distribution schedule of each class of equity security as at 22 September 2011:

Ordinary fully paid shares

Range	Holders	Units	%
1 - 1,000	192	32,563	0.00
1,001 - 5,000	636	2,356,444	0.22
5,001 - 10,000	1,179	9,634,192	0.90
10,001 - 100,000	4,285	180,249,316	16.79
100,001 - Over	1,575	881,032,327	82.09
Total	7,867	1,073,304,842	100.00

Listed options exercisable at \$0.16 each on or before 31 March 2014

Range	Holders	Units	%
1 - 1,000	618	388,690	0.14
1,001 - 5,000	826	2,308,770	0.84
5,001 - 10,000	390	3,047,055	1.11
10,001 - 100,000	851	33,724,272	12.29
100,001 - Over	380	234,835,738	85.62
Total	3,065	274,304,525	100.00

Substantial shareholders

As at 22 September 2011, there are no substantial shareholders in the Company.

Restricted Securities

As at 22 September 2011, the Company had no restricted securities.

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 9,616 shares as at 22 September 2011):

Holders	Units
1,587	7,828,787

Holdings less than a marketable parcel of listed options exercisable at \$0.16 each on or before 31 March 2014 (being 22,728 options as at 22 September 2011):

Holders	Units
2,154	10,809,226

Voting Rights

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

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

On-Market Buy Back

There is no current on-market buy-back.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308
INTERESTS IN PETROLEUM PERMITS, MINERAL LICENSES AND GEOTHERMAL PERMITS
AT 22 SEPTEMBER 2011

Permits and Licenses Granted

Tenement	Location	Operator	CTP Consolidated Entity		Other JV Participants	
			Registered Interest (%)	Beneficial Interest (%)	Participant Name	Beneficial Interest (%)
EP 82 ⁽¹⁾	Amadeus Basin NT	Central	100	100		
EP 93	Pedirka Basin NT	Central	100	100		
EP 97 ⁽²⁾	Pedirka Basin NT	Central	80	80	Rawson Resources Ltd	20%
EP 105	Amadeus/Pedirka Basin NT	Central	100	100		
EP 106	Amadeus Basin NT	Central	100	100		
EP 107	Amadeus/Pedirka Basin NT	Central	100	100		
EP 112	Amadeus Basin NT	Central	100	100		
EP 115	Amadeus Basin NT	Central	100	100		
EP 118	Amadeus Basin NT	Central	100	100		
EP 125 ⁽¹⁾	Amadeus Basin NT	Central	100	100		
EL-27094	Pedirka Basin NT	Central	100	100		
EL-27100	Pedirka Basin NT	Central	100	100		
EL-27101	Pedirka Basin NT	Central	100	100		
EL-27102	Pedirka Basin NT	Central	100	100		
EL-27103	Pedirka Basin NT	Central	100	100		
EL-27104	Pedirka Basin NT	Central	100	100		
EL-27105	Pedirka Basin NT	Central	100	100		
EL-27106	Pedirka Basin NT	Central	100	100		
EL-27107	Pedirka Basin NT	Central	100	100		
EL-27108	Pedirka Basin NT	Central	100	100		
EL-27109	Pedirka Basin NT	Central	100	100		
EL-27110	Pedirka Basin NT	Central	100	100		
EL-27114	Pedirka Basin NT	Central	100	100		
EL-28095	Pedirka Basin NT	Central	100	100		
EL-28096	Pedirka Basin NT	Central	100	100		
EL-28097	Pedirka Basin NT	Central	100	100		
EL-28472	Pedirka Basin NT	Central	100	100		
GEP27833	Georgina Basin NT	Central	100	100		
GEP27834	Pedirka/Eromanga Basin NT	Central	100	100		
GEP27835	Pedirka/Eromanga Basin NT	Central	100	100		

Permits and Licenses Under Application

Tenement	Location	Operator	CTP Consolidated Entity	
			Projected Registered Interest (%)	Projected Beneficial Interest (%)
EPA 92	Lander Trough NT	Central	100	100
EPA 111	Amadeus Basin NT	Central	100	100
EPA 120	Amadeus Basin NT	Central	100	100
EPA 124	Amadeus Basin NT	Central	100	100
EPA 129	Lander Trough NT	Central	100	100
EPA 130	Pedirka Basin NT	Central	100	100
EPA 131	Pedirka Basin NT	Central	100	100
EPA 132	Georgina Basin NT	Central	100	100
EPA 133	Amadeus Basin NT	Central	100	100
EPA 137	Amadeus Basin NT	Central	100	100
EPA 147	Amadeus Basin NT	Central	100	100
EPA 149	Amadeus Basin NT	Central	100	100
EPA 152	Amadeus Basin NT	Central	100	100
EPA 160	Lander Trough NT	Central	100	100
ATP 909	Georgina Basin QLD	Central	100	100
ATP 911	Georgina Basin QLD	Central	100	100
ATP 912	Georgina Basin QLD	Central	100	100
PELA 77	Pedirka Basin SA	Central	100	100
16/08-9	Amadeus Basin WA	Central	100	100
17/08-9	Amadeus Basin WA	Central	100	100
18/08-9	Amadeus Basin WA	Central	100	100
EL 27095	Pedirka Basin NT	Central	100	100
EL 27096	Pedirka Basin NT	Central	100	100
EL 27097	Pedirka Basin NT	Central	100	100
EL 27098	Pedirka Basin NT	Central	100	100
EL 27099	Pedirka Basin NT	Central	100	100

(1) For the Magee prospect Block within EP 82 and the Mt Kitty prospect Block within EP 125 the beneficial interest is 86.12% and 76.54% respectively. The remaining beneficial interest is held by Oil & Gas Exploration Limited (formerly known as HeNuclear Limited).

(2) For the Simpson, Bejah, Dune and Pelinor Sub- Blocks within EP 97.