Central Petroleum Limited

ABN 72 083 254 308

Interim Report

31 December 2012

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Director's report
31 December 2012

The Directors present their report on the consolidated entity consisting of Central Petroleum Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2012.

Directors

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

Andrew P Whittle
Richard I Cottee
Michael R Herrington
Wrixon F Gasteen
William J Dunmore
Henry J Askin (retired 29th November 2012)

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

Principal Activity

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

Highlights for the half year reporting period

- Entered into farmouts with Santos (Amadeus and Pedirka Basins) and Total (Southern Georgina Basin) such that $78 million of free-carried exploration expenditure is planned to occur in the fifteen months following these farmouts becoming unconditional.
- Farmout strategy maximises options to fund and de-risk exploration without requiring additional capital raising.
- Successful completion of the Surprise Extended Production Test ('EPT') and 3D seismic interpretation.
- Surprise reservoir model (static) constructed and production licence applied for.

Review of Operations and other Joint Venture Activities

Farmouts

On 2 October 2012, Central Petroleum Limited ("Central" or "Company") announced that it had entered into a joint venture with partner Santos Limited ('Santos') which will see Santos spending up to A$150 million for the further exploration and potential development of up to 13 permit/application areas in the Amadeus and Pedirka Basins in central Australia.

Under the farm-out agreement Santos will fund exploration by investing an initial $30 million, with options to invest a further $60 million in stage two and a further $60 million in stage three. In return Santos will earn rights to up to 70% of the area totalling nearly 80 thousand square kilometres. Santos will assume operatorship of the fields during exploration and in the event that they are developed.

The only condition precedent remaining is for Rawson Resources Limited to execute a Deed of Assignment and other related documentation to allow Santos to farm into EP97, an area less than 5% of the total area being farmed out to Santos. Indications are that this will occur shortly and will not affect the actual closure of the Santos farmout just its timing.

On 6 November 2012, the Company announced a multi-stage farmout agreement with French energy company Total for the exploration of approximately 6 million acres ("SGB farmout"). The agreement covers the four highly prospective areas in the Southern Georgina Basin in central Australia, namely; ATP(A)909, ATP(A)911, ATP(A)912 in Queensland and EP(A)132 in the Northern Territory.

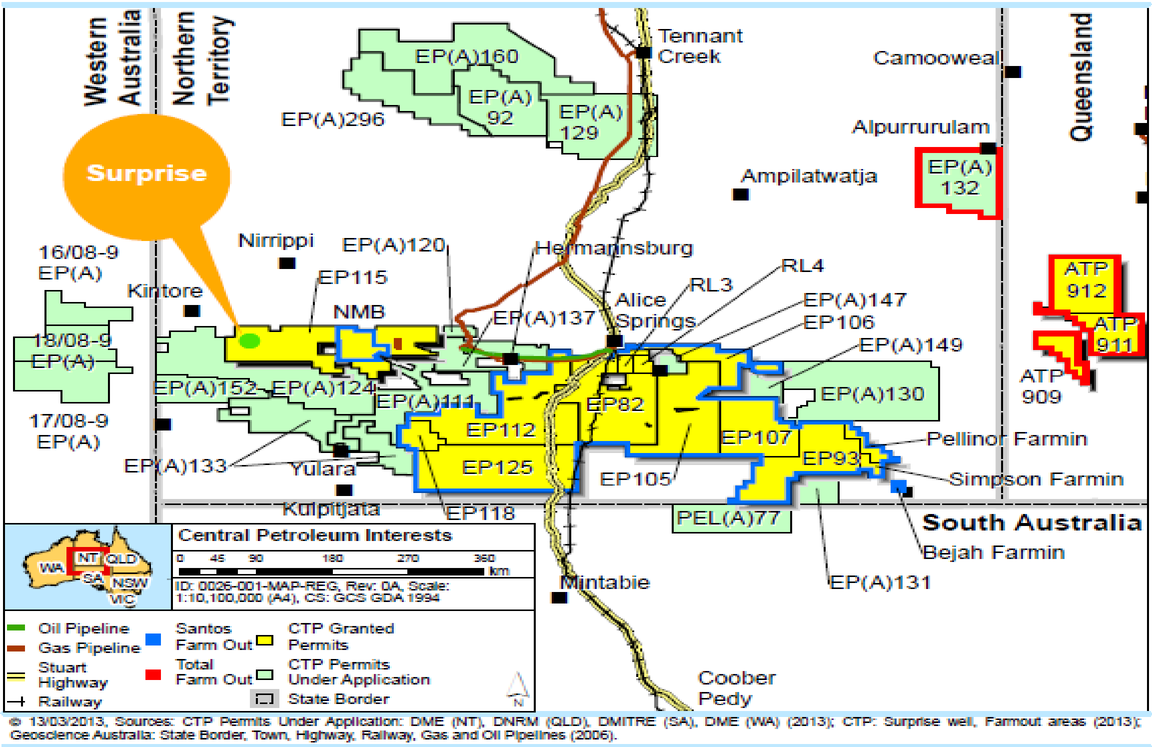
The exploration will start with an investment by the joint venture of US$60 million for stage one, with the first US$48 million being contributed by Total. At Total's election, a further US$130 million will be spent for stages two and three of the exploration and appraisal program. Should Total continue and fulfil its funding obligations for stages 2 and 3, it will earn in increments to a total of 68% in the permits. Total is required to fund 80% of exploration and appraisal costs of these three stages over four years.

Central will operate the farmout areas for the first four years and after completion of stage three, Total will assume operatorship for 90% of the area, with Central retaining operatorship of the upstream activities for the remaining 10%.

The Queensland Department of Environment and Heritage Protection have issued the Company with environmental approvals for the Queensland applications. On 13 March 2013 the Authorities to Prospect (ATP 909, 911 & 912) were also granted to the Company. Central Petroleum will now transfer some of its interest in those ATPs to Total as required under the Farm-out Agreement. Meanwhile the Company is progressing with its resource build up to execute the planned work program and Total has agreed to commence funding.

The Santos and Total farmout areas together cover around 30 per cent of the Company's exploration acreage.

Importantly, approximately 2.4 million acres in EP115 in the Amadeus Basin, including the area around the Surprise discovery, are outside of the farmout areas and Central retains a 100% working interest. The Company believes the North-Western Amadeus Basin around the Surprise discovery to be highly prospective and the Company is pursuing all avenues for developing this discovery at the lowest cost of capital in order to maximise shareholder value.



Petroleum Granted Licence and Application Interests held by Central Petroleum Limited subsidiaries

Petroleum Interests

EP115 (Surprise 1 and surrounds in North-Western Amadeus Basin), Northern Territory (CTP 100%)

Extended Production Testing (EPT)

The Surprise 1 well was shut in on 5 November 2012 and the Extended Production Testing (EPT) operation was finalised on 8 December 2012 following a data gathering period (pressure build up) on the reservoir.

The EPT saw first oil flow commencing on 20 June 2012 following approval of a three month EPT. First oil was delivered to market in early July 2012. A further three month EPT was obtained and by the completion of the EPT operation the well had produced over 10,000 barrels.

The oil was trucked to Santos' storage facilities at Port Bonython and subsequently sold. Central obtained an average price of A$124 per barrel for its oil. All oil was shipped by mid December 2012 and Central received its final cash from EPT oil sales in January 2013.

The EPT flow rates stabilised between 200 – 400 BOPD without pump. Central anticipates that when production commences, higher flow rates will be achieved by pumping. Encouragingly, water produced during the production test remained below 10% and by the end of the test, had fallen to 3.2%. Pressure build-up on shut-in was quite rapid.

Technical Analysis

On 12 February 2013 it was announced that the Company had completed a substantial program of technical analysis following the Surprise discovery, and has investigated the surrounding structures and adjacent formations.

The result of the work has indicated that there are multiple zones within Surprise that have high-reward potential and warrant enhanced exploration efforts. This information has had a positive impact on our views of the timing and costs of bringing Surprise into production.

The program included extended production testing, 3-D seismic-based interpretation, reservoir modelling and pressure transient analysis.

Reserves Update

Central expects to be able to announce certified reserves around Easter.

Regional Geology

The Company believes that the Horn Valley Siltstone (HVS), located stratigraphically below the Surprise reservoir and extending for thousands of square kilometres, is the regional oil source for the known oil discoveries in the North-Western Amadeus Basin. The 3-D seismic indicates that the HVS thickens coming off the Surprise structure. Our interpretation is that basinal areas straddling the Surprise structure may be rich, highly prospective areas for a HVS shale oil/gas play. The Company has resolved to allocate more resources to defining this potentially large unconventional oil/gas play over time (see "Surprise Discovery Area Schematic" overleaf).

Interpretation of the Surprise structure

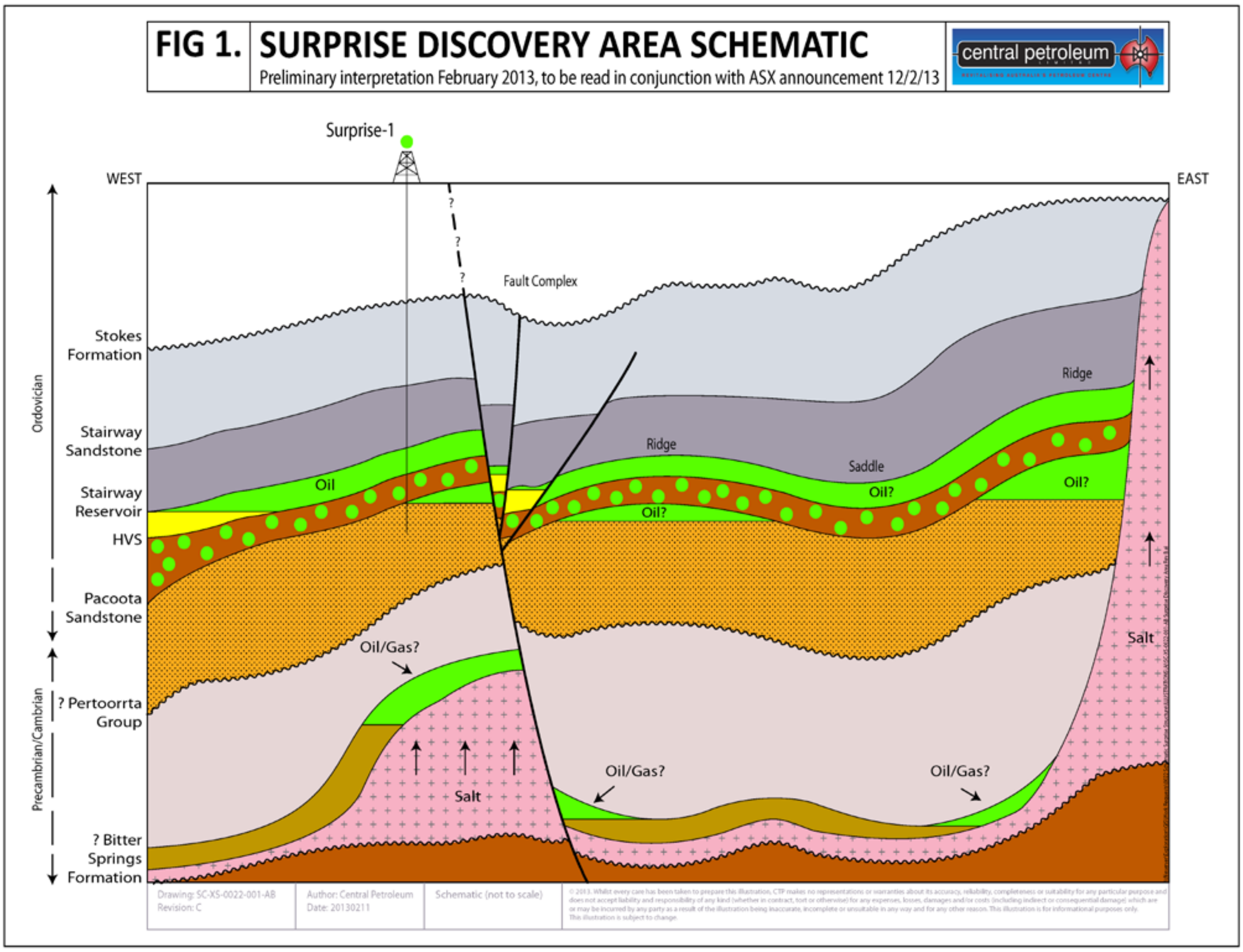
Transient pressure analysis would indicate that the lowest known oil at Surprise is now believed to be deeper than originally estimated. The oil column is considered to be thicker than previously thought and this has improved the estimated development timeframe and economics of the proposed development. There may be a structural and/or stratigraphic component to the trap along the ridge to the east of the structure, where the Stairway reservoir is seismically interpreted to pinch out into salt. The expanded oil column allows for another well location on the east side of the fault. Further analysis is underway to determine what additional work is required to confirm this proposition. Such work may be carried out after Surprise comes into production.

Other hydrocarbon targets

The company believes there may be reason to not only test the HVS but also the lower formations draped over salt when the Surprise development commences.

Outlook

As a result of the program, the Company believes Surprise is an exciting, continuously evolving exploration area, with the potential size of the reward more than justifying continued and enhanced exploration efforts. Of particular interest in further exploration are: (i) the ridge structure extending east form the Surprise-1 well; (ii) the possibility of deeper targets draped over, or trapped against, the underlying salt seen on the 3-D seismic; and (iii) the HVS shale oil/gas play which sits below the Stairway reservoir (in which Surprise was discovered).



Surprise discovery area schematic

EP-97 (Pellinor Block) Pedirka Basin, Northern Territory

(CTP 80% [before farmout to Santos], Rawson Resources 20%)

The recently acquired 2D seismic data has been processed and interpretation is at an advanced stage. Several interesting features that may be reef anomalies have been mapped to date. Central's farmin into the EP97 Simpson, Pellinor and Bejah Blocks has been included in the Santos farmout deal and, accordingly, the Company will need to have Rawson's approval to include Santos in the EP97 farmin blocks.

Mineral / Coal Interests

With the Company moving towards a more focussed approach to its core business of oil and gas exploration and development and given that its coal assets are at an early stage of exploration, the coal assets are considered to be non-core and the Company is in the process of executing an exit strategy.

Corporate

Development timetable and funding

As a result of the farmout agreements, $78 million of first stage free-carried exploration will occur over the first 15 months. This expenditure compares with the total exploration expenditure to December last year over the 7 years since listing of $85 million at a cost of over 1.3 billion shares. Importantly, this initial exploration funding will be achieved without issuing any additional shares.

The Company expects to have the benefit of initial results of this exploration expenditure program prior to March 2014 when Central has 303 million 16 cent options due to be exercised or expire (ASX Code: CTPO). The last 6 months VWAP for Central Petroleum Limited's shares is 15.5c and as such the Group is planning its finances around this event. The results of this initial exploration expenditure will also de-risk the remaining areas making them potentially attractive for future farminees.

On the Surprise Project, Central anticipates that planning and permitting related to further appraisal and production development will be completed within the next 12 months with a decision on full scale development targeted for the third quarter of 2013. With operational commitments for the SGB farmout Central will meet the challenges of growing human resources and locating rigs and contractors, the availability of which may affect actual development timing.

At that time, Central will assess funding options for Surprise, including debt finance, farmout arrangements, equity raising and existing listed options which, if fully exercised would raise over $48 million.

The timing of the Total and Santos farm-in agreements, the Surprise development and the exercise of the Company options are aligned to create an opportunity for the Company to utilise the existing options to fund further exploration and growth without additional shareholder dilution, whilst preserving the Company's ability to utilise debt or alternative development arrangements.

Board Positions Confirmed

At its Board Meeting 12 March 2013, Central Petroleum has confirmed Mr Andy Whittle as its new Chairman and appointed Richard Cottee as its Managing Director. Andy was appointed acting Chairman following the retirement of its previous chair Dr Henry Askin at last year's AGM. Richard was appointed CEO in June 2012 and was elected to the Board at an EGM held on 22nd June 2012 heralding continued stability at the Board.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

This report is made in accordance with a resolution of directors.

Richard Cottee
Managing Director
15 March 2013

Competent Persons Statement

General Legal Disclaimer

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.

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 any relevant joint venture partners, therefore those resource estimate, 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 may not have been approved by relevant Joint Venture partners in whole or in part and accordingly constitute a proposal only unless and until approved.

This document may contain forward-looking statements. Forward looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of Central. These risks, uncertainties and assumptions include (but are not limited to) commodity prices, currency fluctuations, economic and financial market conditions in various countries and regions, environmental risks and legislative, fiscal or regulatory developments, political risks, project delay or advancement, approvals and cost estimates. Actual values, results or events may be materially different to those expressed or implied in this document. Given these uncertainties, readers are cautioned not to place reliance on forward looking statements. Any forward looking statement in this document is valid only at the date of issue of this document. Subject to any continuing obligations under applicable law and the ASX Listing Rules, or any other Listing Rules or Financial Regulators' rules, Central, its agents, directors, officers, employees, advisors and consultants do not undertake any obligation to update or revise any information or any of the forward looking statements in this document if events, conditions or circumstances change or that unexpected occurrences happen to affect such a statement. Sentences and phrases are forward looking statements when they include any tense from present to future or similar inflection words, such as (but not limited to) "believe," "estimate," "anticipate," "plan," "predict," "may," "hope," "can," "will," "should," "expect," "intend," "is designed to," "with the intent," "potential," the negative of these words or such other variations thereon or comparable terminology, may indicate forward looking statements.

Auditor's Independence Declaration

As lead auditor for the review of Central Petroleum Limited for the half year ended 31 December 2012, 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

William P R Meston
Partner
PricewaterhouseCoopers

Perth
15 March 2013

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 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

Central Petroleum Limited
ABN 72 083 254 308

Consolidated statement of comprehensive income
For the half-year ended 31 December 2012

	Notes	Half-year 2012	Half-year 2011
		$	$
Continuing Operations			
Other income	**4**	1,620,874	331,536
Finance costs		(506)	(6,391)
Employee benefits and associated cost		(2,198,436)	(1,517,413)
Exploration expenditure		(4,189,876)	(9,503,552)
Depreciation and amortisation		(194,406)	(111,383)
General and administrative expenses		(2,968,131)	(1,515,082)
Share based employment benefits	**5,6**	(942,718)	(632,654)
Loss before income tax		**(8,873,199)**	**(12,954,939)**
Income tax expense			-
Loss for the half-year		**(8,873,199)**	**(12,954,939)**
Other comprehensive income		-	-
Total comprehensive loss for the half-year		**(8,873,199)**	**(12,954,939)**
Attributable to shareholders of Central Petroleum Limited		**(8,873,199)**	**(12,954,939)**
Earnings per share			
Basic and diluted loss per share (cents)		(0.64)	(1.25)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Central Petroleum Limited
ABN 72 083 254 308

Consolidated balance sheet
As at 31 December 2012

	Notes	31 December 2012	30 June 2012
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents		2,145,635	12,105,232
Trade and other receivables		2,007,839	1,578,759
Inventory		975,282	1,051,439
Total current assets		**5,128,756**	**14,735,430**
Non-current assets			
Property, plant and equipment	**3**	2,030,525	1,780,765
Exploration assets		10,988,500	10,488,500
Intangible assets		44,425	51,785
Other financial assets		1,303,941	1,318,942
Total non-current assets		**14,367,391**	**13,639,992**
Total assets		**19,496,147**	**28,375,422**
LIABILITIES			
Current liabilities			
Trade and other payables		2,014,286	3,727,627
Provisions	**9**	644,461	361,027
Total current liabilities		**2,658,747**	**4,088,654**
Non-current liabilities			
Provisions	**9**	170,654	82,960
Total non-current liabilities		**170,654**	**82,960**
Total liabilities		**2,829,401**	**4,171,614**
Net assets		**16,666,746**	**24,203,808**
EQUITY			
Contributed equity	**5**	123,094,142	122,700,723
Reserves	**5**	8,907,447	7,964,729
Accumulated losses		(115,334,843)	(106,461,644)
Total equity		**16,666,746**	**24,203,808**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Central Petroleum Limited
ABN 72 083 254 308

Consolidated statement of changes in equity
For the half-year ended 31 December 2012

	Notes	Attributable to owners of Central Petroleum Limited			
		Contributed Equity $	Option Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2011		**99,105,548**	**6,893,100**	**(80,103,476)**	**25,895,172**
Loss for the half-year		-	-	(12,954,939)	(12,954,939)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the half-year		-	-	(12,954,939)	(12,954,939)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	**5**	4,544,078	-	-	4,544,078
Share based payments	**5**	-	632,654	-	632,654
		4,544,078	632,654	-	5,176,732
Balance at 31 December 2011		**103,649,626**	**7,525,754**	**(93,058,415)**	**18,116,965**
Balance at 1 July 2012		**122,700,723**	**7,964,729**	**(106,461,644)**	**24,203,808**
Loss for the half-year		-	-	(8,873,199)	(8,873,199)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the half-year		-	-	(8,873,199)	(8,873,199)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	**5**	393,419	-	-	393,419
Share based payments	**5**	-	942,718	-	942,718
		393,419	942,718	-	1,336,137
Balance at 31 December 2012		**123,094,142**	**8,907,447**	**(115,334,843)**	**16,666,746**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Central Petroleum Limited
ABN 72 083 254 308

Consolidated statement of cash flows
For the half-year ended 31 December 2012

	Half-year	
	2012	**2011**
	$	**$**
Cash flows from operating activities		
Interest received	110,278	303,902
GST refunds received	728,434	2,789,058
Payments to suppliers and employees	(10,254,640)	(10,003,077)
Net cash outflow from operating activities	(9,415,928)	(6,910,117)
Cash flows from investing activities		
Payments for exploration assets	(500,000)	-
Payments for property, plant and equipment	(424,962)	(366,147)
Redemption of interest bearing security bonds	15,000	959,200
Net cash (outflow)/inflow from investing activities	(909,962)	593,053
Cash flow from financing activities		
Proceeds from contributed equity	375,336	5,005,960
Payments for capital raising costs	(9,043)	(461,882)
Net cash inflow from financing activities	366,293	4,544,078
Net decrease in cash and cash equivalents	**(9,959,597)**	**(1,772,986)**
Cash and cash equivalents at the beginning of the half-year	**12,105,232**	**9,463,949**
Cash and cash equivalents at the end of the half-year	**2,145,635**	**7,690,963**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements
For the half-year ended 31 December 2012

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. Basis of Preparation of Half-year Report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2012 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Central Petroleum Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) Going Concern

The financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the period ended 31 December 2012, Central incurred a loss of $8,873,199 and had a cash outflow from operating activities of $9,415,928.

At 31 December 2012 the Group held cash of $2,145,635 and has net assets of $16,666,746 and a working capital surplus of $2,470,007. During the period ended 31 December 2012, the Group has been able to continue to meet working capital requirements principally as a result of previous capital raisings.

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 is dependent upon the Group being successful in:

(i) completing the conditions precedent in relation to the SGB farm-out agreement; and/or

(ii) additional fund raising activities.

As a result of these matters, there is a material uncertainty that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements.

As at the date of this report, conclusion of the conditions precedent in relation to the SGB farm-out agreement have been progressing within the timeline in the agreement and are expected to be completed before the contractual deadline of 6 May 2013. As such, the Directors believe that the Group will be successful in the above activities and therefore have sufficient funds to support its operations in the foreseeable future, to settle the Group's liabilities and to meet its debts as and when they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

(b) New and Amended Standards Adopted by the Group

In the current period, the Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for reporting periods beginning on or after 1 July 2012. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies.

(c) Early Adoption of Standards

The Group did not early adopt any Australian Accounting Standards that are not yet mandatory.

2. Segment information

Description of Segments

Operating Segments

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.

Management has considered the operating segments based on the reports reviewed by the chief operating decision maker 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.

3. Property, Plant and Equipment

During the half-year ended 31 December 2012, the Group acquired assets at a cost of $434,056 (2011: $298,438). The acquired assets represent Plant and Equipment.

	Half-Year	
4. Other Income	**31 December 2012 $**	**31 December 2011 $**
Interest revenue	117,593	331,536
Century claim proceeds	1,500,260	-
Other	3,021	-
	1,620,874	**331,536**

	Half-Year	
5. Contributed Equity and Reserves	**31 December 2012 $**	**30 June 2012 $**
Share Capital		
1,386,978,365 ordinary shares	**123,094,142**	**122,700,723**
(30 June 2012: 1,383,376,265 ordinary shares)		
Share Options Reserve		
611,342,555 share options	**8,907,447**	**7,964,729**
(30 June 2012: 421,622,622 Share options)		

Notes to the consolidated financial statements
For the half-year ended 31 December 2012

5. Contributed Equity and Reserves Share Capital *(continued)*

	Half Year		Half Year	
	31 December 2012 $	31 December 2012 No. of securities	31 December 2011 $	31 December 2011 No. of securities
Movements in Ordinary Shares on Issue During the Half-year:				
Balance at the beginning of the half-year	122,700,723	1,383,376,265	99,105,548	982,298,842
Issue of ordinary shares	-	-	5,005,000	91,000,000
Exercise of share options	375,336	3,602,100	960	6,000
Transaction costs	18,083	-	(461,882)	-
Balance at the end of the half-year	**123,094,142**	**1,386,978,365**	**103,649,626**	**1,073,304,842**

	Half Year		Half Year	
	31 December 2012 Share options Reserve $	31 December 2012 No. of securities	31 December 2011 Share options Reserve $	31 December 2011 No. of securities
Movements in Share Options on Issue During the Half-year:				
Balance at the beginning of the half-year	**7,964,729**	**421,622,622**	**6,893,100**	**311,433,857**
Share based payments:				
31/05/2015 options exercisable at $0.122	213	-	10,433	-
31/10/2015 options exercisable at $0.11	255	-	2,077	-
12/05/2016 options exercisable at $0.12	-	-	2,143	-
20/07/2016 options exercisable at $0.11	10,624	-	83,858	7,646,665
19/08/2016 options exercisable at $0.115	-	-	68,624	2,000,000
30/08/2016 options exercisable at $0.115	12,428	-	86,140	4,000,000
15/11/2016 options exercisable at $0.095	-	-	332,946	12,993,335
30/11/2016 options exercisable at $0.095	21,382	-	46,433	6,000,000
Expiry of options exercisable at $0.30	-	-	-	-
Expiry of options exercisable at $0.33	-	-	-	(200,000)
Expiry of options exercisable at $0.30	-	-	-	(500,000)
Expiry of options exercisable at $0.25	-	-	-	(666,666)
Cancellation of options exercisable at $0.11	-	-	-	(2,200,000)
Exercise of options at $0.16	-	-	-	(6,000)
Exercise of options at $0.095	-	(1,400,000)	-	-
Exercise of options at $0.11	-	(2,200,000)	-	-
Exercise of options at $0.16	-	(2,200)	-	-
Cancellation of options exercisable at $0.12	(1,651)	(100,000)	-	-
15/11/2015 options exercisable at $0.09	330,965	55,251,501	-	-
15/11/2017 options exercisable at $0.09	568,502	138,170,532	-	-
Balance at the end of the half-year	**8,907,447**	**611,342,455**	**7,525,754**	**340,501,191**

6. Share Based Employment Benefits

The Group issues options to employees under the Central Petroleum Limited 2012 Share Option Plan for Directors and Employees. The fair value of the options granted is estimated at the date of grant using a Binomial Option Pricing model, taking into account the terms and conditions upon which the options were granted.

Half-year ended 31 December 2012

During the period under consideration 172,922,033 share options were granted to Freestone Energy Partners, a company in which Richard Cottee has a beneficial equity interest and 20,500,000 share options were granted to Directors under the Central Petroleum Limited 2012 Share Option Plan for Directors and Employees as follows:

Share options granted	Exercise price	Vesting hurdle *	Expiry date
55,251,501	$0.09	$0.15	15 November 2015
62,168,385	$0.09	$0.20	15 November 2017
76,002,147	$0.09	$0.29	15 November 2017

* the volume weighted average price of the shares on ASX must be more than the vesting price over a 30-day period.

Share based employment benefits also include the vesting portions for options granted in prior periods.

Half-year ended 31 December 2011

During the period under consideration 32,640,000 share options were granted to employees under the Employee Incentive Share Option Scheme as follows:

Share options granted	Exercise Price	Expiry date
7,646,665	$0.110	20 July 2016
2,000,000	$0.115	19 August 2016
4,000,000	$0.115	30 August 2016
12,993,335	$0.095	15 November 2016
6,000,000	$0.095	30 November 2016

7. Contingencies and Commitments

(a) Exploration Contingencies and Commitments

The Group has contingent exploration expenditure commitments on various permit areas held in Australia.

	Consolidated	
	31 December 2012	**30 June 2012**
	$	**$**
Due not later than 1 year	742,000	18,291,583
Due later than 1 year but less than 5 years	66,900,000	60,528,250
Total	**67,642,000**	**78,819,833**

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

7. Contingencies and Commitments (continued)

(b) Operating Lease Commitments

The Group has non-cancellable operating leases for office premises in Brisbane expiring on 29 June 2014, Alice Springs currently on a rolling 1 month contract with intentions to commit shortly to a 10 year lease extension including upgrade of facilities. The Perth office leases expire on 28 February 2015 and 30 September 2013 respectively, refer note 9.

	Consolidated	
	31 December 2012	**30 June 2012**
	$	**$**
Due not later than 1 year	678,402	661,627
Due later than 1 year but less than 5 years	434,142	751,446
Total	**1,112,544**	**1,413,073**

(c) Contingent Liabilities

The Group had contingent liabilities at 31 December 2012 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 (2011: $1,000,000) within twelve months following the commencement of any future commercial production from the permits.

(d) Contingent Assets

On 31 March 2011, the Group 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 Group having to necessarily terminate the drilling contract with Century Energy Services Pty Ltd for performance related issues.

The Group received $1,125,260 (comprising of the settlement amount plus interest) from the Century arbitration matter in January 2013. A further $375,000 for settlement of legal costs associated with the arbitration was received in February 2013.

There were no other contingent assets at 30 June 2011.

8. Subsequent Events

On 13 March 2013 the Authorities to Prospect (ATP 909, 911 & 912) were also granted to the Group. Central Petroleum will now transfer some of its interest in those ATPs to Total as required under the Farm-out Agreement. Meanwhile the Group is progressing with its resource build up to execute the planned work program and Total has agreed to commence funding.

At its Board Meeting on 12 March 2013, Central Petroleum has confirmed Mr Andy Whittle as its new Chairman and appointed Richard Cottee as its Managing Director. Andy was appointed acting Chairman following the retirement of its previous chair Dr Henry Askin at last year's AGM. Richard was appointed CEO in June 2012 and was elected to the Board at an EGM held on 22 June 2012 heralding continued stability at the Board.

8. Subsequent Events (continued)

There has not been any other events that have arisen in the interval between the end of the financial half 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 Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

9. Provisions

The balance as at 31 December 2012 includes provisions for onerous contracts of $281,548 (2011 $nil). A provision for onerous contracts was recognised during the half-year in respect of the operating lease commitments on the Perth office.

Central Petroleum Limited
ABN 72 083 254 308

Director's Declaration

In the directors' opinion:

(a) The financial statements and notes set out on pages 9 to 18 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 31 December 2012 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that Central Petroleum Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.

Richard I Cottee – Managing Director
Brisbane, Queensland
15 March 2013

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Central Petroleum Limited, which comprises the balance sheet as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Central Petroleum Limited Group (the consolidated entity). The consolidated entity comprises both Central Petroleum Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Central Petroleum Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

pwc

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date, and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without qualifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the consolidated entity incurred a net loss of $8,873,199 during the half year ended 31 December 2012 and its ability to continue as a going concern and meet its debts and commitments as and when they fall due is dependent upon completing the conditions precedent in relation to the SGB farm-out agreement. This condition, along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

PricewaterhouseCoopers

PricewaterhouseCoopers

William P R Meston
Partner

Perth
15 March 2013

Central Petroleum Limited
ABN 72 083 254 308

Corporate directory

Directors

Andrew P Whittle BSc (Hons), Non-executive Director and Chairman
Richard I Cottee BA, LLB (Hons), Managing Director
Michael R Herrington BE (Hons), MBS (Dist), Executive Director
Wrixon F Gasteen BE (Hons), MBA (Dist), Non-executive Director
William J Dunmore BSc, MSc, Non-executive Director
Henry J Askin BSc (Hons) PhD, Non-executive Chairman (retired 29th November 2012)

Company Secretaries

Daniel C M White LLB, BCom, LLM
Bruce W Elsholz, BCom, CA

Registered Office

56-58 Jephson Street,
Toowong QLD 4066
Telephone; +61(0)7 3181 3800
Fax: +61(0)7 3181 3855
www.centralpetroleum.com.au

Auditors

PricewaterhouseCoopers
125 St Georges Terrace
Perth
Western Australia 6000
www.pwc.com.au

Share Registrar

Computershare Investor Services Pty Limited
117 Victoria Street
West End
Queensland 4101
Telephone: +61(0)7 3237 2100
Fax: +61(0)7 9473 2085
www.computershare.com