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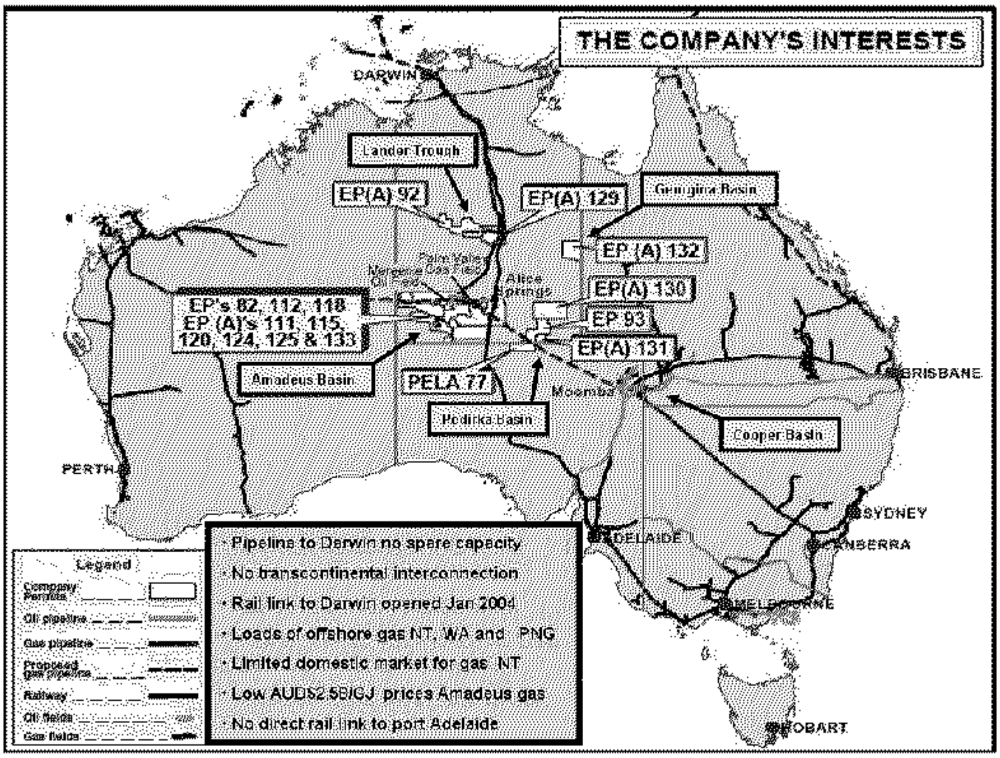
TO: Manager, Company Announcements Australian Stock Exchange Limited

CONTACT: John Heugh +61 8 9310 7690

central PETROLEUM LIMITED
9 Meadow Close
Kardinya, Perth
Western Australia
6163
Phone:
+61 (0) 8 9310 7690
Fax:
+61 (0) 8 9310 7690
Mob:
+61 (0) 427 10 7690
johnheugh@westnet.com.au
info@centralpetroleum.com.au
www.centralpetroleum.com.au
ABN 72 083 254 308

Central Petroleum Limited Progress Report

The Company was admitted to the Official List of the ASX on March 2nd 2006 and began trading on March 7th 2006. The Company had released a Prospectus for an Initial Public Offering on September 12th 2005 and had planned informally subject to various matters to be drilling its first well by March/April 2006. Delays in the listing process involving an underwritten Supplementary Prospectus meant that the original preferred spud date target had slipped as funding was not available when originally planned for pre-drilling activities.



Pedirka Basin:

The reprocessing of the relevant good quality seismic covering the Avalon and Blamore Prospects in the Pedirka Basin by WesternGeco is expected to be completed by early May 2006. These prospects have been assessed as having "high" estimates of potentially recoverable hydrocarbons totaling together about 200 MMbbls according to

Wholly owned subsidiaries:
merlin ENERGY PTY LTD
ordiv PETROLEUM PTY LTD
frontier OIL AND GAS PTY LTD
helium AUSTRALIA PTY LTD
merlin WEST PTY LTD

Mulready Consultants, Independent Geologists. “Best” estimates for the two prospects combined were assessed at a total of 118 MMbbls.

Immediately following the completion of the seismic reprocessing it is proposed that RPS Energy (Formerly Troy Ikoda Australia) will analyse the data, remap the prospects and produce well prognoses including volumetrics for both Avalon and Blamore as the final phase of fine tuning well site locations in the Hallows Trend. Approximate locations for the two wells have already been selected based on reprocessing of digitalized hard copies of stacked seismic completed in 1987. The current reprocessing has the benefit of the utlisation of state of the art techniques on the original digital field tapes and is expected to provide more detail and more accurate results.

It is proposed that initially either Avalon *or* Blamore will be drilled, with drilling on the remaining prospect subject to the results of the first well and capital availability. Subject to the availability of an appropriate drilling rig, results on completion of seismic reprocessing and mapping and the finalization of sacred site clearances by the Central Land Council, the Company would prefer to spud either Avalon or Blamore in late June or early July 2006. Currently, although tenders have not been let, there are several appropriate drilling rigs provisionally available for this time slot.

An aerial inspection of the proposed Pedirka Basin drill locations and access routes has been completed to assist in ground planning and site preparation as well as environmental and sacred site clearances. In addition, an on-ground inspection of alternative rig access routes has been completed and appropriate upgrades are being costed by Kunoth Pty Ltd, an Alice Springs based aboriginal contracting company under the terms of the Exploration Deed covering EP 93.

Tenders for casing have been called and received and it is anticipated that a casing swap will be effected in line with current standard industry practice. Gerard Nicot of Oilfinder Pty Ltd has commenced working on drill-site access, engineering programmes, tender and site preparation matters and, subject to the final timing of the first well, will be appointed as the Drilling Manager for the Company’s first drilling campaign.

Gorey and Cole Pty Ltd of Alice Springs have been asked to quote on the drilling of water bores and the drilling and setting of 13-3/8” surface casing as a precursor to moving in the main drilling rig for each of the wells proposed. This procedure is usually more cost effective than utilizing the main drilling rig for all of the programme including surface casing.

A preliminary work programme subject to the final well prognoses has been forwarded to the Central Land Council and is under discussion as a precursor to on ground sacred site clearances expected to take about a fortnight to complete once the on-ground phase of the clearances begins. EP 93 has already been granted to the Company and the proposed locations of Avalon and Blamore are outside of the existing Aboriginal Land Rights Act Reserve.

Lowecology Pty Ltd of Alice Springs has been commissioned and has commenced an environmental survey of the proposed well locations as a precursor to the drilling of the Avalon and/or Blamore Prospects. It is proposed that the onground phase of this will be completed under CLC supervision concurrent with the sacred site clearance. Lowecology has reported that no complications are anticipated as the environment is reasonably well known from previous work in the general area and a low flying aerial survey has already been completed.

Amadeus Basin:

United Photo and Graphic Services Pty Ltd, a service provider to Geoscience Australia has been contracted subject to certain timing constraints to re-fly the Ooraminna and Waterhouse structures in full colour at 1:25,000 scale aerial photography. This work is expected to be completed by early May.

Richard Russell and Associates Pty Ltd has been contracted to supply a full and detailed structural analysis of the Ooraminna, Waterhouse, Johnstone, Gypsum and Mt Kitty prospects drawing upon previous work, offset drilling data, new and existing aerial photography, Landsat TM and PAN imagery. The focus of this work is twofold:

1. The Waterhouse and Ooraminna structures are very large exposed surface anticlinal features expected to have potential production confined largely to secondary fracture development similar to the producing Palm Valley Field, so mapping and analysis of fracture patterns is important in defining seismic acquisition plans over these prospects as well as potential drilling locations. The other prospects will also benefit from the comprehensive structural analysis approach prior to further seismic acquisition.

2. A previous study by the BMR, (the precursor to Geoscience Australia) in Bulletin 236, showed that remote geobotanical imagery was very effective in mapping long term gas and hydrocarbon seepage to the surface over the Palm Valley (now) producing field so this approach could be useful in examining the favoured prospects in the Amadeus Basin prior to final selection of wellsite locations and seismic acquisition. Previous airborne gas sampling techniques have confirmed the presence of anomalous gas concentrations over both the Ooraminna and Waterhouse structures but no similar work has been completed over the Johnstone/Gypsum/Mt Kitty prospects.

Russell's work is anticipated to be completed by the end of May or early June.

A preliminary seismic acquisition plan over the Johnstone, Gypsum, Waterhouse, Ooraminna and Mt Kitty Prospects has been completed involving up to about 600 line km. The plan is under active discussion and refinement and the seismic acquisition, processing and analysis is anticipated to be largely completed in Q3 2006 as a precursor to final drilling planning. All prioritized prospects in the Amadeus have existing seismic but will benefit from additional pre-drilling definition.

Mulready Consultants have estimated total potentially recoverable hydrocarbons at "high" estimate for the Johnstone, (112 MMbbls), Mt Kitty, Ooraminna and Waterhouse prospects at 3.4 TCFG, 112 MMbls and in the Mt Kitty Prospect the additional potential of up to 105 BCFG Helium.

The Gypsum Prospect immediately adjacent to the Johnstone oil Prospect has been estimated to have "high" potential of 5 MMbls potentially recoverable and is regarded by the Northern Territory Geological Survey (Amadeus Basin Update 1994) as being essentially a simple 4 way dip closure oil target with primary targets being the Stairway and Pacoota Sandstones at about 800m with secondary potential in the Areyonga Sandstone at about 1,800m.

Johnstone has been interpreted to be predominantly a 3 way dip closure with a fault dependent seal updip and with a smaller area of fault independent 4 way dip closure capable of hosting up to 12 MMbbls at "best" estimate level.

Both Gypsum and Johnstone Prospects have a pre-existing seismic grid but additional seismic will increase the definition of the structures and allow better drilling location selection. Both Prospects are anticipated to host oil rather than gas in primary matrix porosity rather than fracture porosity. Any significant fracture expression in the structures could be expected to increase the estimates of potentially recoverable oil provided by Young Geoconsultants and by the Northern Territory Geological Survey.

Strategy

The Company aims to consolidate its acreage position in Central Australia by completing the granting of the remaining 4 permits out of the total of 8 applications it operates in the Amadeus Basin and to focus on the drilling of oil prospects in the Pedirka (Avalon and Blamore) and Amadeus Basins (Johnstone and Gypsum subject to the timely grant of EPA 115) to potentially generate early cash flow. Secondary focal areas are the gas, condensate and Helium prospects of Ooraminna, Waterhouse and Mt Kitty.
Farmins by established groups able to sustain substantial "whole of basin" exploration strategies are favoured but individual prospect farmins will be considered. A targeted promotional

campaign to secure and examine potentially appropriate farmin partners and deals will be commenced during the March-June Quarter of 2006.
Longer term, Gas to Liquids (GTL) holds promise for the potential monetization of gas in central Australia to easily marketable zero sulphur diesel, jet fuel and naptha.

In the Amadeus, the Johnstone and Gypsum Oil Prospects are favoured for early drilling attention as this approach is in line with the Company's policy to gain early cash flow from an initial focus on oil discovery and production. The other prospects, ie Mt Kitty, Ooraminna and Waterhouse are regarded as being essentially gas targets with potential to host condensate as well as Helium. Both Ooraminnna and Waterhouse are very large structures, up to 300 km^2 and 350 km^2 in aerial closure and up to 300m and 2,000m in vertical closure respectively and have flowed gas to surface in previous drilling campaigns but remain essentially un-evaluated and in the case of Waterhouse, the main target horizon has yet to be penetrated.

There have been some significant developments in Gas to Liquids (GTL) processing, plant commissioning and stated political policy in the recent past and the Company has continued to monitor and study the potential for GTL to monetise gas reserves in central Australia.

Further acquisition of appropriately priced and located reserve based assets and farmouts of certain acreage to significant farmin partners will be part of the Company's potential growth strategy moving forward to maximize value for shareholders.

Sincerely,

John Heugh
Managing Director
Central Petroleum Limited