

CENTRAL PETROLEUM LIMITED

ABN 72 083 254 308

**Annual report
30 June 2012**

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

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CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

CORPORATE DIRECTORY

DIRECTORS

Henry J Askin BSc (Hons) PhD MPESA MSEG MEAGE, Non-executive Chairman
Richard I Cottey BA LLB (Hons), Executive Director and Chief Executive Officer
Michael R Herrington BE (Hons), MBS (Dist), Non-executive Director
Wrixon F Gasteen BE (Hons), MBA (Dist), Non-executive Director
William J Dunmore BSc MSc, Non-executive Director
Andrew P Whittle BSc (Hons), Non-executive Director and Deputy / Vice Chairman

CHIEF FINANCIAL OFFICER AND JOINT COMPANY SECRETARY

Bruce Elsholz BCom CA

GROUP GENERAL COUNSEL AND JOINT COMPANY SECRETARY

Daniel CM White LLB BCom LLM (Merit)

REGISTERED OFFICE

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85 South Perth Esplanade
South Perth
Western Australia 6151
Telephone; +61(0)8 9474 1444
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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
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CHAIRMAN'S LETTER

Fellow Shareholders,

The year since our last annual report has been one of unprecedented change and development in the activities and fortunes of your Company. Most of you will be familiar with the key issues, so in this review of the year I will confine myself to an overview of these critical events.

First and foremost was the December 2011 re-entry of the Surprise-1 well and its completion with a horizontal leg, following which flow rates on test of up to 380 bopd were reported to the ASX on 11 and 12 January 2012. Despite this being the first free flow oil discovery in the Basin in almost 50 years, a Share Purchase Plan to provide working capital, priced at 5.5 cents per share closed 2 weeks later with only 9% of shareholders responding. The total raising was \$7.15 million, and it was clear that the Company could not rely upon the market at that time to support further meaningful exploration. Had a second well been drilled immediately, even in a success case your Company would have faced a cash crisis long before attaining any cash flow from production.

The Board therefore determined that farmout was the only practical option available. Regrettably this was followed by events that led to a Board resolution withdrawing all duties from the Managing Director, and subsequently a further resolution to seek his removal as a Director of the company by shareholders.

On 16 March there was heavy unprecedented buying of CTP shares by Petroleum Nominees P/L (PNPL), a Clive Palmer company, followed by negotiations on a possible Joint Venture and Placement with Central Petroleum. These continued for several weeks, until the final offer was assessed to significantly undervalue the assets of Central and negotiations were terminated in accordance with the terms of a deadline set by PNPL.

However these events resulted in a revival of market interest, and in the first week of April a placement of approximately \$11 million was concluded. This was followed by a series of legal injunctions and hearings initiated by PNPL, now withdrawn. Additionally three General Meetings were held, one called by Directors and two requisitioned by shareholder groups. The outcome of these proceedings was the appointment of Mr. Richard Cottee as Chief Executive Officer, this being confirmed by his election as a Director at the 22 June GM, together with the election of Mr. Herrington and Mr. Gasteen and the confirmation of Mr. Whittle as Directors. Mr. Elsholz (CFO) and Mr. Faull, the latter a co-founder of your Company, voluntarily stepped down as directors to progress this renewal.

With litigation at an end (other than that initiated by the previous Managing Director), your Company now looks forward to a period of management stability, renewal and rejuvenation. In particular, this stability underpins the progress of essential farmout discussions, and I anticipate concrete results to be on the very near horizon.

However, it focuses our attention on the up-coming vote on the Company Remuneration Report, which received a "first strike" at the last Annual General Meeting. Under recent regulatory changes if a second strike occurs this year then a Board spill is mandated. To revisit last year, this occurred on a vote of 25.89 % of votes cast. The number cast being 11.42 % of the eligible total meant that the strike was triggered by a mere 2.89 % of total possible shareholder votes.

I can assure you that this is a serious issue that is taken very seriously by your Board, and independent review and benchmarking against industry peers has been undertaken to ensure that the Report presented is fully in line with industry standards. It is also the case that the remuneration package awarded to Mr. Cottee as CEO and Director has already been approved by the shareholders at a General Meeting. Our hard won stability is at risk on this issue, and I unreservedly recommend this report to you for your approval.

In that regard, I believe that our company is on the verge of a major re-rating, in line with anticipated major favourable developments in our ability to deploy enhanced exploration and development programs compatible with the extent of our acreage holdings. In particular, operations and administration related to the application areas in Queensland will be facilitated by the planned relocation of your Company's office to Brisbane.

I do not minimise the challenges we face, including the management of our potential coal assets. The maintenance of these Mineral Permits incurs a very significant cost for a resource that may not deliver a commercial return for many years, possibly decades. Central Petroleum is not a company with market expertise in coal, and as previously announced, the spin-off of these discoveries remains under investigation.

To address in passing an issue mentioned last year in my Letter, regarding a proposed listing on the Toronto Stock Exchange (TSXV), as events have unfolded it is not likely that this initiative will be actively pursued.

Finally after a longer than usual letter, necessary I believe for you as shareholders to be able to put into perspective the events of the last year and the significance of the overall outcomes, I return to where I started,

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CHAIRMAN'S LETTER

with the Surprise-1 oil field discovery. This has been hugely important in highlighting the prospectivity of the entire Amadeus Basin west of the Mereenie Oil Field. An active petroleum system has been proven, and reservoirs have been shown to be of sufficient quality to allow free flow of hydrocarbons to surface at potentially commercial rates. An application for a Production License has been submitted, a 3D seismic survey has been completed and an Extended Production Test remains underway at the present, results of which will be reported when completed.

Also not to be overlooked is the huge potential upside of the Pellinor carbonate play in the Pedirka Basin, success in which would be an unequivocal company maker. The 2D seismic survey here has been completed but data processing and structural interpretation takes considerably more time than the field acquisition of raw data.

We should take confidence also from the continued strength of the oil price per barrel, given that prices have been maintained throughout a period of global economic pessimism.

In conclusion, I would like to welcome our new Directors to the Board, with a special recognition of the achievements of Richard Faull, a co-founder of your Company. For myself and on behalf of all Directors I would like to express our appreciation and thanks for the efforts of our staff, who have kept our operations on track throughout a period of disruption and considerable uncertainty.

A handwritten signature in black ink, appearing to read 'H. Askin', with a long, sweeping horizontal line extending to the right.

Dr. Henry J. Askin
Chairman
Melbourne, 14 September 2012

CENTRAL PETROLEUM LIMITED
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CHIEF EXECUTIVE OFFICER'S LETTER

Dear shareholder,

The potential of Central Petroleum Limited with 68 million acres of prime exploration areas in central Australia has never been in doubt. Recent major investments by experienced industry players in both the Amadeus and Southern Georgina Basins provide independent verification of the unapplied potential of this acreage. The stock market, however, appears to have taken the view that after 6 years the Company had not advanced sufficiently to realise this potential. Personally I feel privileged to be given the opportunity by shareholders to rise to this challenge. I am attracted to the prospect of being able to lead again a company which, with a fair wind, will become a major player in the exciting Australian oil and gas industry.

Having first been involved in this sector some 30 years ago, experience taught me the key ingredients that will enable this company to grow possibly into an ASX Top 100 company. History shows there are four pre-conditions necessary for success. They are;

1. Three Generational Assets: There is no doubt that Central Petroleum Limited has acreage with great potential to deliver resources, like Woodside, Santos, and QGC before it..
2. Clarity of Purpose: The Company needs to have a clear view on its investment proposition. In the past, clarity was less than apparent, possibly opaque. Let me make it clear: Central Petroleum Limited is an oil and gas explorer and soon to be producer in central Australia focussed primarily in the Amadeus and Southern Georgina Basins.
3. Access to Expertise: All start-up companies find it difficult to initially attract the people and skills needed to do justice to their assets. Great companies like Santos, Woodside and QGC initially leant on the technical expertise of third party companies. Even well established companies such as BHP in the 1960's elected to develop Bass Strait with outside expertise.
4. Access to Capital: Whilst the equity markets are an important source of capital especially on listing, it provides generally a shorter time horizon than the industry requires. With three generational assets the capital requirements are sufficiently large that the question of gaining access to capital is a choice between dilution at the shareholder level, or at the asset level. To my mind the most beneficial option for shareholders is for dilution to occur at the asset level, and preserving rights at the shareholder level.

Given the challenges above, it is clear that the Company must now embark aggressively to farm-out part of the acreage to experienced industry players to harness their skills and capital to quickly develop our assets. This was the path chosen by the Board in the first quarter of 2012, leading in part the collateral turmoil at the Board level. The Board opened a data room but it was not until the shareholders resolved the company's leadership in June and July that active engagement occurred.

This farm-out process is being structured in a way that will de-risk and re-rate the Company. The objectives which we wish to achieve are as follows;

1. Meet all our permit obligations.
2. Garnering access to capital for the rapid evaluation and development of the Amadeus and Southern Georgina Basins.
3. Partnering technically with respected industry players that bring the Company access to expertise whilst giving the Company sufficient areas of operatorship to organically grow its own technical capabilities.
4. Retain a majority interest in parts of both the Amadeus and Southern Georgina Basins to provide the clarity of purpose mentioned above.
5. Retain an equity accounted investment in over half our acreage and allowing the Company to keep about one-third of its acreage at 100% for future opportunities.

Whilst only time will tell whether we are able to achieve all our objectives, I have confidence in my management team that the wait will not be too long.

Whilst the turmoil at Central Petroleum Limited may have taken the headlines, the real news was that the Company announced its first surface oil flows from Surprise 1 RE H on 11 January 2012. We have applied for a Production Licence over the Surprise Area. We have completed 3D Seismic over that area and are progressing an Extended Production Test. By the fourth quarter of this year we should be in a position to plan the stages of development and announce our plans.

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CHIEF EXECUTIVE OFFICER'S LETTER

I am excited by the prospects of this company and relish the challenges ahead.

A handwritten signature in dark ink, appearing to read 'R Cottee', with a stylized, cursive script.

Richard Cottee
Chief Executive Officer
Perth, 14 September 2012

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DIRECTORS' REPORT

30 JUNE 2012

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 2012.

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
Richard I Cottee (appointed 22 June 2012)
William J Dunmore
Michael R Herrington (appointed 22 June 2012)
Wrixon F Gasteen (appointed 22 June 2012)
Andrew P Whittle (appointed 25 April 2012)
Bruce W Elsholz (appointed 25 April 2012, resigned 22 June 2012)
Richard W Faull (resigned 22 June 2012)
Edmund R T Babington (appointed as an alternative director to John Heugh 17 February 2012, resigned 10 April 2012)
John P Heugh (removed 22 June 2012)

Henry J Askin, Richard I Cottee, Michael R Herrington, Wrixon F Gasteen, Andrew P Whittle, William J Dunmore held office at the date of this report.

Principal activities

The principal activity of the Consolidated Entity during the financial year was the exploration for hydrocarbons. 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 2012 of \$26,358,168 (2011: \$36,643,523).

At 30 June 2012 consolidated cash and cash equivalents available totalled \$12,105,232 (2011: \$9,463,949).

Dividends

No dividends were paid or declared during the financial year (2011:Nil). No recommendation for payment of dividends has been made.

Review of Operations

The Company's focus for the year was fourfold:

- preparing for and executing the re-entry and drilling and testing of the Surprise-1 RE H ("S1REH") well in EP115 [Central Petroleum Limited 100%];
- appraising the new oil discovery at S1REH through an extended production testing in order to evaluate the productivity and physical characteristics of the reservoir: and
- continuing with the interpretation of seismic and other data to develop exploration plays throughout the Company's acreage and to establish optimal drilling locations.
- an increased focus on the farm-out process

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DIRECTORS' REPORT

30 JUNE 2012

Surprise-1 RE H re-entry and horizontal drilling

The Surprise-1 well was re-entered on 18 November 2011 using Hunt Rig #3 and on 29 November 2011 the well reached a depth of 2,672mRKB in the Pacoota Sandstone.

The results of electric log analysis, coring and visual observations of cuttings and mud flow indicated a prospective oil flow from the well. The Company proceeded to drill an approximately 230m lateral which it then tested. A number of dip changes were encountered during the horizontal drilling but the drill bit remained in sandstone throughout and with continuous oil shows. Of the 230m section drilled, approximately 10m rated less than good to excellent oil shows.

The first flow rates from testing were released to the market on 11 January 2012 with a maximum sustained flow rate of 300 barrels of oil per day (BOPD) over a four-hour test period, with a 7.5% drilling fluid cut. The oil quality encountered had an API gravity averaging 40 degrees-light sweet crude and low gas oil ratios.

On 13 January 2012 the Company advised that further initial flow testing had concluded after recording a sustained flow rate via a 32/64" choke of 380 BOPD with a low 4.4% drilling fluid and/or water cut. The final PBU (Pressure Build Up) was 523 PSI.

Independent consultants RPS Energy Pty Ltd ("RPS") concluded that the well may access Stock Tank Oil Initially In Place (STOIIP) in the range of 0.5 to 2 million barrels in an area proximal to the well. RPS based their calculations on a 105m section of the horizontal well bore placed in the lower half of an 8m thick sandstone reservoir section with an average permeability of 50 millidarcies and a vertical to horizontal permeability ratio of 10%. RPS used a vertical wellbore model; further definition may be available by using horizontal wellbore modelling.

Following the completion of initial flow testing at the Surprise-1 well, the Hunt Rig #3 was released and was temporarily stacked on site pending a determination of drilling plans going forward. The Company subsequently elected not to exercise the option to retain Hunt Rig #3, thereby deferring the drilling of an appraisal well pending the outcome of the planned Extended Production Test of the Surprise-1 RE H well and acquisition of 3D seismic over the Surprise structure.

Surprise-1 RE H extended production testing

On 20 June 2012 following approval from the Northern Territory Department of Resources (NTDOR) the Surprise Extended Production Test ('EPT') commenced with first oil delivered to market in early July 2012.

A Crude Oil Sale and Purchase Agreement was signed for the length of the EPT, which is three months, and allows the Company to commence receiving its first oil sale cash flows. An application for a Production Licence was made in August 2012 and if granted by the NTDOR then the Company intends executing a further sale and purchase agreement to cover licence production.

EPT's are an important part of appraising new oil discoveries. They are important for the evaluation of the productivity and various physical characteristics of a reservoir. Understanding a reservoir's optimal potential will help the Company reduce production and development risks. In particular, EPTs are used to:

- estimate reservoir volume and confirm reserves for field development;
- confirm long-term reservoir deliverability;
- pilot future facility designs during actual field development; and
- obtain additional production-related data, such as water cut, sand production, and well deliverability.

The Company believes undertaking an extensive EPT together with the seismic acquisition and interpretation (see below) will assist in minimising risks related to developing the field for long-term, sustained production.

Meanwhile, infrastructure upgrades to assist our production aspirations continued with the completion of the Kintore bypass road and improvement to the existing Surprise access road. These roads were completed in early June and are currently being used to truck oil sales to market. In addition, Central recently purchased and set up a 20-man camp at the Surprise location which is being used during the EPT and will be used for future appraisal and drilling activity.

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DIRECTORS' REPORT

30 JUNE 2012



First load of crude oil from Surprise-1 RE H

Seismic data interpretation

The Company commissioned a 3D seismic program over the greater Surprise structure to assist with its understanding of the discovery. Our technical teams carefully coordinated operations of the EPT with seismic data collection to avoid seismic interference.

The 3D seismic program over 82km² of the Surprise structure in EP-115 in the Northern Territory was completed in early July 2012. Data processing is currently underway.

With the information garnered from the EPT and from the seismic the Company will be in a position to determine the requirements for the long term production of the Surprise discovery.

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After finishing the 3D seismic acquisition programme in EP-115 in early July 2012 the seismic crew moved to the EP-97 area and completed a 96 line km 2D seismic acquisition programme early August. Data processing is currently underway.

The Company also completed further technical reports for use in planning for its forward exploration campaigns in conventional and unconventional oil and gas horizons.

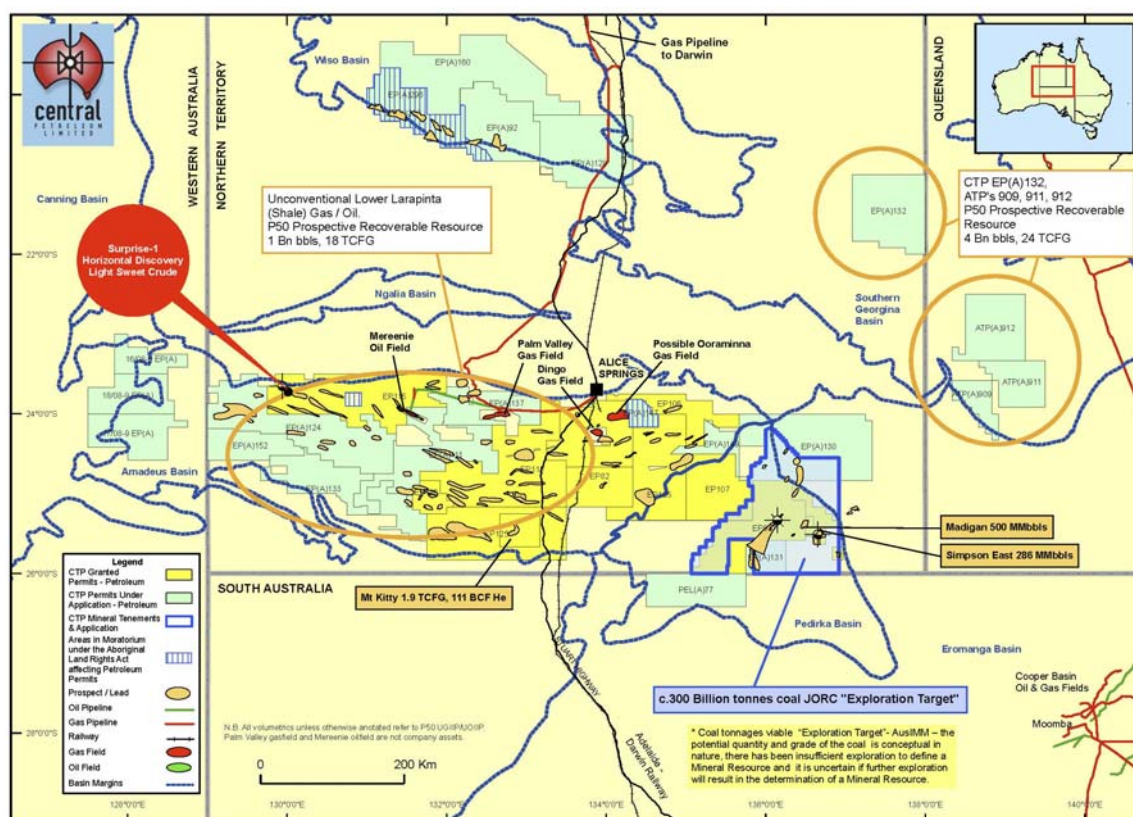
Farm-ins / Farm-outs

The Company opened a data room for potential farm-in parties in March this year with meaningful engagement commencing in July of this year. The objective of the Company is to retain Operatorship over the majority of its acreage whilst allowing a substantial portion to be operated by an experienced industry participant. Ideally our focus will be in the Amadeus and Southern Georgina Basins and our objective will be to meet our tenement commitments, substantially enhance our exploration expenditure to record levels, retain an equity interest in over half of our acreage and 100% interest in about one-third. Presently indications are that our objectives are achievable.

Geothermal Permits

The Company relinquished its three geothermal exploration permits in May 2012. The geothermal permits were considered to be non-core relative to Central's other conventional and unconventional acreage holdings. They contained heavy expenditure obligations over the next four years, including \$7 million in the next two years, and were viewed as not constituting the best use of Central's financial and management resources.

The Company canvassed expressions of interest for both farm-in and acquisition opportunities as an alternative to the relinquishment of the geothermal exploration permits and received no interest from any party.



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

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DIRECTORS' REPORT

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Information on directors

Henry J Askin BSc (Hons) PhD MSEG MEAGE MPESA

Non Executive Chairman^{1,3}

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 retired as a non-executive director of Bass Strait Oil Company Ltd on 31 December 2011. Within the last three years, he has not been a director of any other listed public company.

Richard I Cottee BA LLB (Hons)

*Executive Director and Chief Executive Officer*³

With a background in law and energy, Mr Cottee is a prominent figure in the Australian oil and gas industry having taken QGC from an early stage explorer to a major non-conventional gas supplier sold to BG Group for \$5.7 billion.

Mr Cottee has renowned international energy experience with an outstanding reputation for driving company market development. An attorney, Mr Cottee has also served as the director of marketing and sales for Cyprus Amax and then was named managing director of England, Wales, Scotland, Ireland and the Scandinavian and Norway regions for NRG Energy. Previously he worked with Santos Oil and Gas. He was also chief executive officer of CS Energy Ltd, a Queensland Government owned electricity generator.

Mr Cottee is currently a non-executive chairman of Austin Exploration Limited and is a principal of Freestone Energy Partners Pty Ltd ("FEP"). Mr Cottee resigned as managing director of Nexus Energy Ltd on 22 September 2011. Within the last three years, he has not been a director of any other listed public company.

Michael R Herrington BE (Hons), MBS (Dist)

*Independent Non Executive Director*³

Mr Herrington was recently upstream president for QGC, a BG Group Company, managing director for Jabiru Energy and previously was managing director for Enron Exploration Australia Pty Ltd based in Queensland, Australia and Enron Oil & Gas China Ltd based in Beijing, China. Mr Herrington has more than 30 years of diversified petroleum industry experience, holds a BS degree in civil engineering from the University of Utah and is a registered professional engineer. He has set up operations in Spain, France, Australia as well as China. These efforts have been consistently results orientated and have been completed on time and under budget invoking state of the art technology and developing new concepts where necessary incorporating such diverse technologies as satellite imaging and drilling rig modifications. In particular he has managed efforts to establish coal bed methane recovery leases in Europe, Australia and Asia.

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

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Wrixon F Gasteen BE (Hons), MBA (Dist)

Independent Non Executive Director ²

Mr Gasteen is a director and co-founder of Ikon Corporate (Singapore), established in 2007 to provide corporate advisory, capital raising and management consulting services. Mr Gasteen has a track record as a determined "turnaround" specialist, change agent and business developer. He was appointed chairman of BCP Precast by the major shareholder, private equity firm NBC Capital in 2007 and took on the executive chairman / chief executive officer role in July 2008 when the company fell into serious financial difficulty. He has undertaken long term management consulting projects for Rheem (Aust) 2006, Rinker China (2005) and WEM Civil (2005 – on going). Previously Mr Gasteen was chief executive officer of Hong Leong Asia (HLA) where he presided over the transformation and rapid development of the company by both acquisition and organic growth, from a loss making South East Asian building materials company with \$300m in annual sales to \$2.2bn in annual sales. He was director of Tasek Corporation (cement) (KLSE) and also chairman and president of China Yuchai International (diesel engines) listed on the New York Stock Exchange (NYSE).

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

Andrew P Whittle BSc (Hons)

Independent Non Executive Director and Vice Chairman¹

Mr Whittle has over 42 years of technical and managerial experience in the petroleum exploration and production industry and is deemed an expert in the Otway Basin that was the subject of his thesis and in other worldwide exploration with a focus on South East Asia and Australia. His experience includes over 21 years with several affiliates of Exxon Corporation in Australia, Singapore, Malaysia, Canada and the US, finally in the position of geological manager of Esso Australia. Thereafter, he was exploration manager for 5 years with GFE Resources Ltd, Australia. He has over 15 years experience through PetroVal Australasian Pty Ltd, of which he is a founding director, and his private consulting company Sheristowe Pty Ltd, in preparing independent technical reports and in evaluating exploration and production assets and providing valuations, and expert opinions for a range of clients. He was closely involved in the exploration that led to the identification and discovery of the Thylacine gas field in the Otway Basin and in promoting Pexco into Indonesian deepwater exploration. He is also a member of the American Association of Petroleum Geologists, the Society of Professional Well Log Analysts and the Petroleum Exploration Society of Australia.

He was appointed a non-executive director of ASX listed Bass Strait Oil Ltd in 2011 and a director of Bumi Armada Sdn Bhd, a major offshore service company which listed in Malaysia in mid 2011. Within the last three years, he has not been a director of any other listed public company.

William J Dunmore BSc MSc

Independent Non Executive Director ³

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.

¹ Member of the audit committee

² Chairman of the audit committee

³ Member of the nominations committee

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DIRECTORS' REPORT

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Company secretaries

Bruce W 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 fifteen years experience as Company Secretary with a number of ASX listed entities.

Daniel CM White LLB BCom LLM (Merit)

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:

	<i>Full Meeting of Directors</i>		<i>Audit Committee Meetings</i>	
	Number of meetings held at which eligible to attend	Number of meetings attended	Number of meetings held at which eligible to attend	Number of meetings attended
Henry Askin	17	17	2	2
Richard Cottee	1	1	N/A	N/A
William Dunmore	17	16	2	1
Michael Herrington	1	1	N/A	N/A
Wrixon Gasteen	1	0	N/A	N/A
Andrew Whittle	10	7	N/A	N/A
Bruce Elsholz	9	8	N/A	N/A
Richard Faull	16	16	2	2
John Heugh	16	13	N/A	N/A
Edmund Babington ¹	1	1	N/A	N/A

¹ appointed as an alternative director to John Heugh 17 February 2012, resigned 10 April 2012

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:

- The Company's Surprise-1 REH well produced the first significant oil flow from an onshore discovery in the Northern Territory since the discovery of the Mereenie oil and gas field almost fifty years ago. The well is believed to be the first ever horizontal well completion producing oil onshore in Australia. The Company believes this success at Surprise has materially enhanced the prospectivity of Central's extensive acreage in the western Amadeus Basin.

Matters subsequent to the end of the financial year

No matters or circumstances, besides those disclosed at note 31 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.

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DIRECTORS' REPORT

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Likely developments and expected results of operations

Oil and Gas Interests

The Company is examining its options for the development of the Surprise structure. In addition to the extended production testing of the discovery well, decisions on further drilling are under consideration.

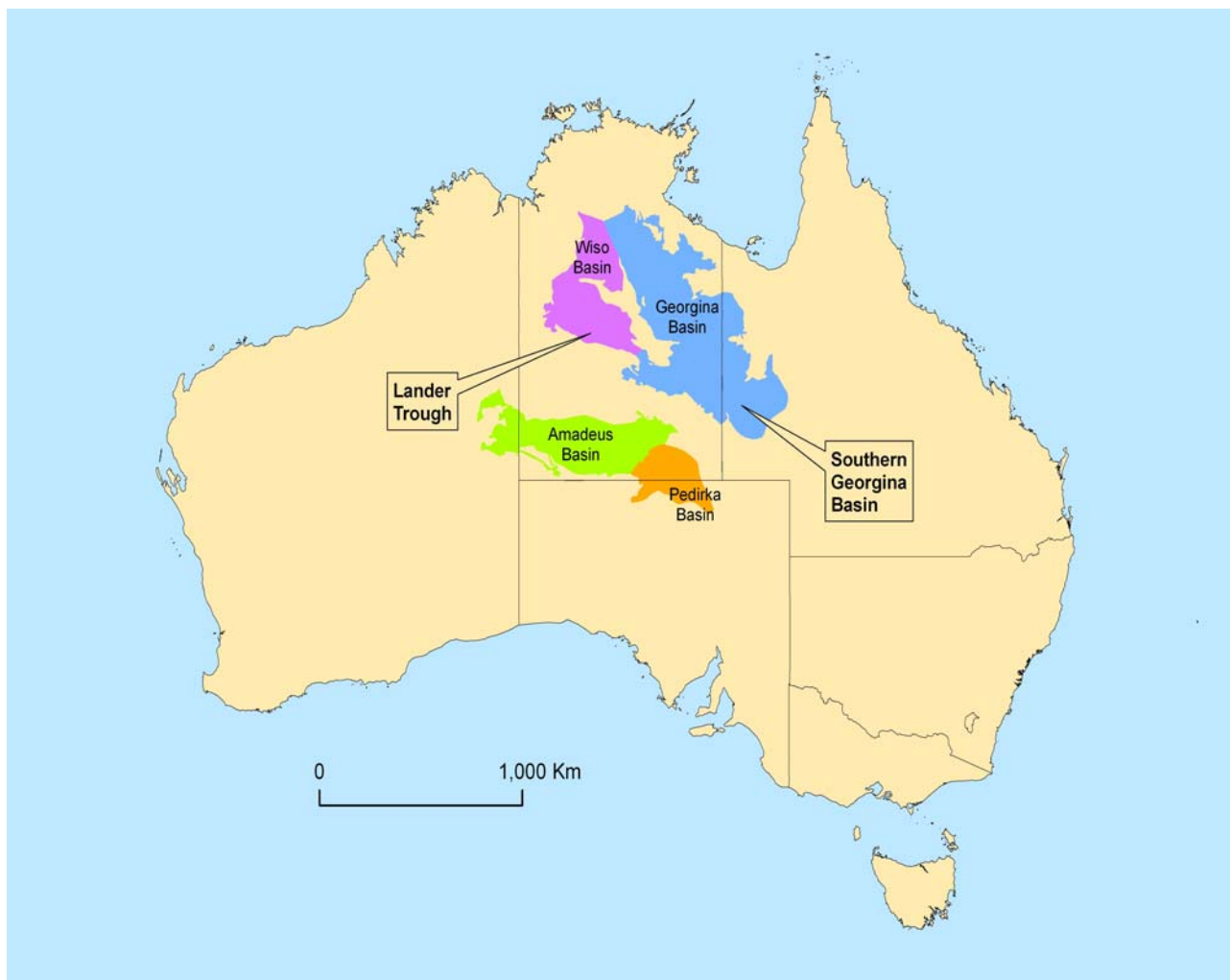
As well as planning for the development of the Surprise structure, the Company is actively reviewing plans for further drilling of a number of play types. The Company also plans to assess the conventional and unconventional oil and gas potential within the Company's application areas in the Southern Georgina and Wiso Basins. Please refer to page 10 for likely development of farm-in and farm-out opportunities.

Mineral / Coal Interests

As previously advised to the market, the Company is evaluating alternative ways to deliver to shareholders optimum value for its early stage coal discoveries in central Australia.

This may be a farm-out deal, a separate listing of the coal assets in a new corporate entity, or possibly an asset sale or sales if that is deemed the best outcome.

With the Company moving towards a more focussed approach to its core business of oil and gas exploration and development and given that its extensive coal assets are at an early stage of exploration, the coal assets are viewed as non-core. The Company's plan is to deliver maximum shareholder value in a manageable timeframe and has consequently determined that its operational and financial resources need be applied to its core areas.



Central Australia Basins

Environmental regulation

CENTRAL PETROLEUM LIMITED
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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 17 employees at 30 June 2012 (19 at 30 June 2011).

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 Company or intervene in any proceedings to which the Company 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.

Legal Action

Legal Action with Drilling Contractor

During the Year the Company continued preparing for its arbitration proceedings against Century Energy Services Pty Ltd and MB Century Drilling Pty Ltd in the matter of the 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 30 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 matter is currently expected to proceed to an arbitration hearing in the first quarter of 2013.

Legal Actions with Petroleum Nominees Pty Ltd (a Clive Palmer company) ("PNPL")

During the 2012 financial year various legal claims were made against the Company by Petroleum Nominees Pty Ltd ("PNPL"), a Clive Palmer company.

On 31 August 2012 the Company announced to the Australian Stock Exchange that all legal proceedings with PNPL had been settled with no material financial outflow to the Company incurred.

Legal Action with John Heugh

On 26 March 2012 the Company advised that it had terminated the employment of Mr John Heugh. Mr John Heugh commenced an action in the Supreme Court of Western Australia against the Company disputing the Company's termination of his employment. The Company is defending the action vigorously.

On 13 April 2012 the Company advised that Mr John Heugh had served an application seeking an injunction in the Supreme Court of Western Australia to restrain the Company from:

- taking any steps to call a general meeting of members of the Company to consider a resolution that Mr John Heugh be removed as a director of the Company; or
- further or alternatively from moving such resolution at any general meeting, pending the hearing and determination of Mr John Heugh's legal action disputing the Company's termination of his employment (as announced on 26 March 2012).

On 17 April 2012 the Company advised that the injunction application brought by Mr John Heugh had been dismissed by the Court. Mr John Heugh was ordered to pay the Company's costs of the application.

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Non-audit services

During the year the Company engaged the auditor, PricewaterhouseCoopers (PwC) on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Consolidated Entity was 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	
	2012	2011
PwC Australian firm:	\$	\$
<i>(i) Other assurance services</i>		
Review of governance processes, controls and systems	-	45,500
	-	45,500
<i>(ii) Taxation services</i>		
Tax compliance	45,500	300
International tax consulting and advice	-	47,319
	45,500	47,619
<i>(iii) Other services</i>		
EGM related costs	6,500	-
TSX listing consulting & advice	30,000	-
Corporate and strategic advice	-	25,500
Benchmarking services	-	5,950
	36,500	31,450
Total remuneration for non-audit services	82,000	124,569

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 27.

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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 of the Consolidated Entity and the Company.

Directors and Key Management Personnel

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

Directors		
Henry Askin	Non-Executive Chairman	
Richard Cottee	Executive Director and Chief Executive Officer	Appointed chief executive officer 5 June 2012 and executive director 22 June 2012
William Dunmore	Non-Executive Director	
Michael Herrington	Non-Executive Director	Appointed 22 June 2012
Wrixon Gasteen	Non-Executive Director	Appointed 22 June 2012
Andrew Whittle	Non-Executive Director and Vice Chairman	Appointed 25 April 2012
Richard Faull	Non-Executive Director	Resigned 22 June 2012
Edmund Babington ¹	Non-Executive Director	Appointed 17 February 2012, resigned 10 April 2012
John Heugh	Managing Director and Non-Executive Director	Removed as Managing Director 26 March 2012 and removed as Non-Executive Director 22 June 2012
Other Key Management Personnel		
Bruce Elsholz	Chief Financial Officer and Company Secretary	Appointed as non-executive director 25 April 2012 and resigned as non-executive director 22 June 2012
Daniel White	Group General Counsel and Company Secretary	
Dalton Hallgren	Chief Operating Officer	Appointed Chief Operating Officer 21 November 2011 Appointed as acting Chief Executive Officer 26 March 2012, resigned 5 June 2012
Trevor Shortt	Exploration Manager	Appointed 25 August 2011

¹ appointed as an alternative director to John Heugh

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

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Salaries and directors fees are reviewed at least annually to ensure they remain competitive with the market. There is 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. On 19 July 2012 shareholders approved 172,922,033 options for issue to FEP on 8 August 2012 exercisable at \$0.09 subject to the satisfaction of various vesting hurdles. Mr Richard Cottee has a beneficial equity interest in FEP. No other director or executive received options under the Incentive Option Scheme that 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.

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DIRECTORS' REPORT

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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 Key Management Personnel

		Short-term		Post-employment		Long-term benefits	Share-based payments		
		Salary/ fees \$	Non-monetary benefits ⁸ \$	Superannuation contributions \$	Termination Benefits \$	Long service leave \$	Options \$	Total \$	Value of options as proportion of remuneration %
Non-Executive Directors									
Henry Askin	2012	84,000 and 112,500 ¹¹	3,787	9,450	-	-	-	209,737	0%
	2011	80,500	3,186	7,245	-	-	-	90,931	0%
William Dunmore	2012	60,000	3,787	-	-	-	-	63,787	0%
	2011	57,500	3,186	-	-	-	-	60,686	0%
Michael Herrington ¹	2012	1,475	93	-	-	-	-	1,568	0%
	2011	-	-	-	-	-	-	-	0%
Wrixon Gasteen ¹	2012	1,475	93	-	-	-	-	1,568	0%
	2011	-	-	-	-	-	-	-	0%
Andrew Whittle ²	2012	11,000	695	990	-	-	-	12,685	0%
	2011	-	-	-	-	-	-	-	0%
Richard Faull ³	2012	60,000	3,787	6,750	-	-	-	70,537	0%
	2011	57,500	3,186	5,175	-	-	-	65,861	0%
Edmund Babington ⁴	2012	-	550	-	-	-	-	550	0%
	2011	-	-	-	-	-	-	-	0%
Sub-total	2012	330,450	12,792	17,190	-	-	-	360,432	0%
	2011	195,500	9,558	12,420	-	-	-	217,478	0%
Executive Directors and Other Key Management Personnel									
Richard Cottee ⁵	2012	282,780 ¹⁰	93	-	-	113	-	282,986	0%
	2011	-	-	-	-	-	-	-	0%
Daniel White	2012	370,660	3,787	25,000	-	6,174	55,451	461,072	12%
	2011	340,630	3,186	20,625	-	5,248	21,763	391,452	6%
Bruce Elsholz ^{2/3}	2012	234,911	3,787	19,602	-	4,239	36,254	298,793	12%
	2011	207,231	3,186	18,360	-	3,994	9,345	242,116	4%
Dalton Hallgren ⁶	2012	229,303	2,303	18,893	-	1,551	66,665	318,715	21%
	2011	-	-	-	-	-	-	-	-
Trevor Shortt ⁷	2012	287,662	3,206	23,256	-	2,171	110,056	426,351	26%
	2011	-	-	-	-	-	-	-	-
John Heugh ⁹	2012	309,355	3,694	29,930	84,375	(2,647)	-	424,707	0%
	2011	423,555	3,186	36,414	-	11,151	-	474,306	0%
Sub-total	2012	1,714,671	16,870	116,681	84,375	11,601	268,426	2,212,624	13%
	2011	971,416	9,558	75,399	-	20,393	31,108	1,107,874	3%
Total Remuneration	2012	2,045,121	29,662	133,871	84,375	11,601	268,426	2,573,056	11%
	2011	1,166,916	19,116	87,819	-	20,393	31,108	1,325,352	2%

¹ Appointed 22 June 2012

² Appointed 25 April 2012

³ Resigned 22 June 2012

⁴ Appointed 17 February 2012 and resigned 10 April 2012

⁵ Appointed as Chief Executive Officer ("CEO") 5 June 2012. Appointed as Executive Director 22 June 2012

¹⁰ Freestone Energy Partners Pty Ltd ("FEP") have provided the services of Richard Cottee on the basis of a secondment. As such compensation is made to FEP in line with Richard Cottee's service agreement shown on page 25. Richard Cottee has a beneficial equity interest in FEP. The above Salary includes an accrual for a \$250,000 sign on payment in line with Richard Cottee's service agreement.

¹¹ Payment to director related entity Askin Nominees Pty Ltd for the provision of Executive Services provided during the period 26 March 2012 to 5 June 2012.

⁶ Appointed 21 November 2011

⁷ Appointed 25 August 2011

⁸ Represents directors and officers insurance premiums

⁹ Removed 22 June 2012

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Details of remuneration (continued)

The fair values of options granted during 2012 were calculated at the dates of grant using a Binomial valuation model. The values are allocated to each reporting period evenly over the period from grant date to vesting date.

The values disclosed for 2012 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 at grant date:

<i>Grant date</i>	<i>Expiry date</i>	<i>Fair value per option</i>	<i>Exercise price</i>	<i>Price of shares at grant date</i>	<i>Estimated volatility</i>	<i>Risk free interest rate</i>	<i>Dividend yield</i>
19 Aug 11	19 Aug 16	\$0.034	\$0.115	\$0.065	92.06%	3.74%	-
30 Aug 11	30 Aug 16	\$0.035	\$0.115	\$0.066	92.16%	3.99%	-
15 Nov 11	15 Nov 16	\$0.025	\$0.095	\$0.057	72.93%	3.60%	-
30 Nov 11	30 Nov 16	\$0.024	\$0.095	\$0.057	70.04%	3.38%	-

No options were granted to key management personnel during 2011.

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 %
Non-Executive Directors								
Henry Askin	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
William Dunmore	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
Michael Herrington ¹	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
Wrixon Gasteen ¹	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
Andrew Whittle ²	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
Richard Faull ³	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
Edmund Babington ⁴	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
Executive Directors and Other Key Management Personnel								
Richard Cotte ^{5/9}	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
Daniel White	2012	1,550,000	19 Aug 11 and 15 Nov 11	\$0.029	\$0.010	19 Aug 16 and 15 Nov 16	2,550,000	56%
	2011	-	-	-	-	-	1,000,000	33%
Bruce Elsholz ^{2/3}	2012	1,000,000	19 Aug 11	\$0.034	\$0.115	19 Aug 16	1,666,668	55%
	2011	-	-	-	-	-	666,666	33%
Dalton Hallgren ⁶	2012	4,000,000	30 Nov 11	\$0.024	\$0.095	30 Nov 16	2,000,000	50%
	2011	-	-	-	-	-	-	-
Trevor Shortt ⁷	2012	4,000,000	30 Aug 11	\$0.033	\$0.115	30 Aug 16	2,000,000	50%
	2011	-	-	-	-	-	-	-
John Heugh ⁸	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
Total compensation options	2012	10,550,000					8,216,666	
	2011	-					1,666,666	

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Details of remuneration (continued)

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

¹ Appointed 22 June 2012

² Appointed 25 April 2012

³ Resigned 22 June 2012

⁴ Appointed 17 February 2012 and resigned 10 April 2012

⁵ Appointed as Chief Executive Officer ("CEO") 5 June 2012. Appointed as Executive Director 22 June 2012

⁶ Appointed 21 November 2011

⁷ Appointed 25 August 2011

⁸ Removed 22 June 2012

⁹ 172,922,033 unlisted options exercisable at \$0.09 on or before 15 November 2015 and 15 November 2017 were issued to FEP on 8 August 2012, a company in which Richard Cottee has a beneficial equity interest.

Table 3: Options granted as part of remuneration

2012	Value of options granted during the year (\$)	Value of options lapsed during the year (\$)	Remuneration consisting of options for the year (%)
Non-Executive Directors			
Henry Askin	-	-	-
William Dunmore	-	-	-
Michael Herrington	-	-	-
Wrixon Gasteen	-	-	-
Andrew Whittle	-	-	-
Richard Faulk	-	-	-
Edmund Babington	-	-	-
Executive Directors and Other Key Management Personnel			
Richard Cottee	-	-	-
Bruce Elsholz	34,206	-	12%
Daniel White	48,299	-	12%
Dalton Hallgren	90,743	-	20%
Trevor Shortt	132,303	-	25%
John Heugh	-	-	-
2011			
Non-Executive Directors			
Henry Askin	-	-	-
William Dunmore	-	-	-
Michael Herrington	-	-	-
Wrixon Gasteen	-	-	-
Andrew Whittle	-	-	-
Richard Faulk	-	-	-
Edmund Babington	-	-	-
Executive Directors and Other Key Management Personnel			
Richard Cottee	-	-	-
Bruce Elsholz	-	-	-
Daniel White	-	-	-
Dalton Hallgren	-	-	-
Trevor Shortt	-	-	-
John Heugh	-	-	-

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

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Details of remuneration (continued)

Table 4: Shareholdings of key management personnel

	Held at beginning of year	Held at date of appointment	Share purchase plan issue	Received on exercise of options	Net change other	Held at date of departure	Held at end of year
Non-Executive Directors							
Henry Askin							
2012	3,600,000	N/A	272,728	-	-	N/A	3,872,728
2011	3,600,000	N/A	-	-	-	N/A	3,600,000
William Dunmore							
2012	766,666	N/A	-	-	-	N/A	776,666
2011	766,666	N/A	-	-	-	N/A	776,666
Michael Herrington							
2012	N/A	-	-	-	-	N/A	-
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wrixon Gasteen							
2012 ¹	N/A	-	-	-	-	N/A	-
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Andrew Whittle							
2012	N/A	-	-	-	400,000	N/A	400,000
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Richard Faull							
2012	2,386,100	N/A	90,910	-	-	2,477,010	N/A
2011	2,386,100	N/A	-	-	-	N/A	2,386,100
Edmund Babington							
2012	N/A	-	-	-	-	-	N/A
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Executive Directors and Other Key Management Personnel							
Richard Cottee							
2012	N/A	-	-	-	-	N/A	-
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Daniel White							
2012	1,440,000	N/A	-	-	-	N/A	1,440,000
2011	1,440,000	N/A	-	-	-	N/A	1,440,000
Bruce Elsholz							
2012	-	N/A	-	-	-	N/A	-
2011	-	N/A	-	-	-	N/A	-
Dalton Hallgren							
2012	N/A	-	-	-	-	N/A	-
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Trevor Shortt							
2012	N/A	-	-	-	-	N/A	-
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A
John Heugh							
2012	5,741,429	N/A	272,728	-	-	6,014,157	-
2011	5,703,693	N/A	-	-	37,736	N/A	5,741,429

¹200,000 ordinary shares purchased on 11 July 2012

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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 date of departure	Held at end of year *
Non-Executive Directors						
Henry Askin						
2012	5,340,000	-	-	(2,000,000)	N/A	3,340,000
2011	5,340,000	-	-	-	N/A	5,340,000
William Dunmore						
2012	3,400,000	-	-	(2,000,000)	N/A	1,400,000
2011	3,400,000	-	-	-	N/A	3,400,000
Michael Herrington						
2012	N/A	-	-	-	N/A	-
2011	N/A	N/A	N/A	N/A	N/A	N/A
Wrixon Gasteen						
2012	N/A	-	-	-	N/A	-
2011	N/A	N/A	N/A	N/A	N/A	N/A
Andrew Whittle						
2012	N/A	-	-	-	N/A	-
2011	N/A	N/A	N/A	N/A	N/A	N/A
Richard Faull						
2012	3,580,550	-	-	(2,000,000)	1,580,550	N/A
2011	3,580,550	-	-	-	N/A	3,580,550
Edmund Babington						
2012	N/A	-	-	-	-	N/A
2011	N/A	N/A	N/A	N/A	N/A	N/A

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

	Held at beginning of year	Options exercised	Granted as remuneration	Net change other	Held at date of departure	Held at end of year
Executive Directors and Other Key Management Personnel						
Richard Cottee						
2012 ¹	N/A	-	-	-	N/A	-
2011	N/A	N/A	N/A	N/A	N/A	N/A
Daniel White						
2012	3,096,000	-	1,550,000	-	N/A	4,646,000
2011	3,096,000	-	-	-	N/A	3,096,000
Bruce Elsholz						
2012	2,000,000	-	1,000,000	-	N/A	3,000,000
2011	2,000,000	-	-	-	N/A	2,000,000
Dalton Hallgren						
2012	N/A	-	4,000,000	-	N/A	4,000,000
2011	N/A	N/A	N/A	N/A	N/A	N/A
Trevor Shortt						
2012	N/A	-	4,000,000	-	N/A	4,000,000
2011	N/A	N/A	N/A	N/A	N/A	N/A
John Heugh						
2012	7,803,978	-	-	(5,000,000)	2,803,978	N/A
2011	7,503,978	-	-	300,000	N/A	7,803,978

¹ 172,922,033 unlisted options exercisable at \$0.09 on or before 15 November 2015 and 15 November 2017 were issued to FEP on 8 August 2012, a company in which Richard Cottee has a beneficial equity interest.

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Details of remuneration (continued)

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

Executive	2012			2011		
	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
Executive Directors and Other Key Management Personnel						
Richard Cottee ¹	-	-	-	N/A	N/A	N/A
Daniel White	4,646,000	2,550,000	4,646,000	3,096,000	1,000,000	2,096,000
Bruce Elsholz	3,000,000	1,666,668	3,000,000	2,000,000	666,666	1,333,332
Dalton Hallgren	4,000,000	2,000,000	2,000,000	N/A	N/A	N/A
Trevor Shortt	4,000,000	2,000,000	2,000,000	N/A	N/A	N/A

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 are 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 18), 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	-	-	-
William Dunmore	2009	100	-	-	-
	2008	100	-	-	-
Michael Herrington	-	-	-	-	-
Wrixon Gasteen	-	-	-	-	-
Andrew Whittle	-	-	-	-	-
John Heugh	2009	100	-	-	-
	2008	100	-	-	-
Richard Faull	2009	100	-	-	-
	2008	100	-	-	-
Edmund Babington	-	-	-	-	-
Richard Cottee ¹	-	-	-	-	-
Daniel White	2010	100	-	-	-
	2012	100	-	-	-
Bruce Elsholz	2010	100	-	-	-
	2012	100	-	-	-
Dalton Hallgren	2012	50	-	30/06/2013	24,075
Trevor Shortt	2012	50	-	30/06/2013	22,246

¹ 172,922,033 unlisted options exercisable at \$0.09 on or before 15 November 2015 and 15 November 2017 were issued to FEP on 8 August 2012, a company in which Richard Cottee has a beneficial equity interest.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2012

Service agreements

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

Richard Cottee, Executive Director and Chief Executive Officer

- The term of the agreement is 3 years, commencing 5 June 2012;
- Mr Cottee's base salary is presently \$500,000 per annum. In addition, superannuation at the statutory 9% rate is applicable up to a cap of \$16,470 per annum.
- In order to terminate employment, a 6 month period of notice is required by either party.

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 \$285,000 per annum. In addition, superannuation at 9% is applicable. The salary is reviewed annually.
- In order to terminate employment, increasing periods of notice are required by either party, 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 \$366,000 per annum. In addition, superannuation at 9% is applicable. The salary is reviewed annually.
- In order to terminate employment, increasing periods of notice are required by either party, depending on the length of service, up to a maximum of 3 months' notice or payment in lieu.

Dalton Hallgren, Chief Operating Officer

- The term of the agreement is 4 years, commencing 21 November 2011;
- Mr Hallgren's base salary is presently \$350,000 per annum. In addition, superannuation at 9% is applicable. The salary is reviewed annually.
- In order to terminate employment, increasing periods of notice are required by either party, depending on the length of service, up to a maximum of 3 months' notice or payment in lieu.

Trevor Shortt, Exploration Manager

- The term of the agreement is 4 years, commencing 25 August 2011;
- Mr Shortt's base salary is presently \$300,000 per annum. In addition, superannuation at 9% is applicable. The salary is reviewed annually.
- In order to terminate employment, increasing periods of notice are required by either party, depending on the length of service, up to a maximum of 3 months' notice or payment in lieu.

John Heugh, Formerly Managing Director:

- Mr Heugh's employment was terminated on 26 March 2012.
- Mr Heugh's base salary at the date of termination was \$337,500 per annum. In addition, superannuation at 9% was applicable, and Mr Heugh received a directors fee of \$60,000 per annum.
- Mr Heugh remained a non-executive director until his removal by shareholders on 22 June 2012.

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

DIRECTORS' REPORT

30 JUNE 2012

- **Service agreements (*continued*)**

Non executive directors

The Company has engaged Dr Henry Askin, Mr Michael Herrington, Mr Wrixon Gasteen, Mr Andrew Whittle 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, chairman of the board, receives a non-executive directors fee of \$95,000 per annum, plus superannuation benefits. Messrs Herrington, Gasteen, Whittle and Dunmore receive non-executive directors fees of \$65,000 per annum. Mr Herrington and Mr Whittle also receive superannuation benefits. However, Mr Gasteen and Dunmore, who reside outside of Australia, do not receive superannuation benefits.

Signed in accordance with a resolution of the Directors:

A handwritten signature in dark ink, appearing to read 'R Cottee', written in a cursive style.

Richard Cottee – Executive Director, Perth 14 September, 2012



Auditor's Independence Declaration

As lead auditor for the audit of Central Petroleum Limited for the year ended 30 June 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 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', with a large, stylized 'A' or 'M' at the end.

William P R Meston
Partner
PricewaterhouseCoopers

Perth
14 September 2012

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

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CENTRAL PETROLEUM LIMITED

ABN 72 083 254 308

CORPORATE GOVERNANCE STATEMENT – 30 JUNE 2012

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 not adopted 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-adoption of 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.

The board from time to time carries out the process of considering and determining relevant KPI's and other measures to evaluate the performance of its senior executives.

Principle 1.1 recommendations not currently adopted:

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.

CENTRAL PETROLEUM LIMITED

ABN 72 083 254 308

CORPORATE GOVERNANCE STATEMENT – 30 JUNE 2012

Principle 2: Structure the board to add value

Structure and composition of the board

The board consists of six directors – an executive director and five non-executive directors. 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 a non-executive director. Normally the roles of chairman and the executive director are not exercised by the same individual as there is a clear division of responsibility between them. However, this policy was departed from for a brief period of time during the year ended 30 June 2012. Further details are provided in section '*Independence of non-executive directors and the chairman of the board*' below.

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

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, Dunmore, Whittle and Gasteen hold 3,872,728, 776,666, 400,000 and 200,000 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.

During the year ended 30 June 2012 the Chairman provided executive services to the Company for the period following termination of John Heugh as Managing Director until appointment of Richard Cottee as the Company's Chief Executive Officer. As disclosed in the Remuneration Report on page 19 the Chairman received \$112,500 for these executive services. Therefore the Company has determined that the Chairman is not independent as defined by the Corporations Act.

The remaining 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.

Nominations Committee

The board has established a nominations committee which consists of the following directors; Henry Askin, Richard Cottee, Michael Herrington and William Dunmore.

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

The role of the Nominations Committee is to review Board composition, performance and Board succession planning. A copy of the charter is available on the Company's website.

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 2.5 recommendation is currently not adopted:

Recommendation		Explanation/ Reference
Rec 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	Given the size and nature of the Company a formal process for performance evaluation has not yet been developed.

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:
 - o the financial results of the Company and any of its subsidiaries;
 - o projections of future earnings or losses;
 - o changes in senior management; and
 - o 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 has formulated a diversity policy, which can be viewed on its website.

At the end of the current reporting period there were 4 women in the whole organisation representing 23% of total employees. There were no women in senior executive or board positions.

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 Chief Executive Officer 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 its performance 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 Chief Executive Officer 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:

Wrixon Gasteen (Chair)
Henry Askin
Andrew Whittle

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.

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.

CENTRAL PETROLEUM LIMITED

ABN 72 083 254 308

CORPORATE GOVERNANCE STATEMENT – 30 JUNE 2012

Principle 5.1 recommendation is currently not adopted:

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.

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 Security 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.

The Board receives regular reports about the financial condition and operating results of the Group. The CEO and CFO annually provide a declaration in the form required by section 295A of the Corporations Act.

CENTRAL PETROLEUM LIMITED

ABN 72 083 254 308

CORPORATE GOVERNANCE STATEMENT – 30 JUNE 2012**Principle 7.1 and 7.2 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.

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 Executive Director's employment agreement is set out in the remuneration report.

Principle 8 recommendations not currently adopted:

Recommendation		Explanation/ Reference
Rec 8.1	The board should establish a remuneration committee.	The Company currently does not have a remuneration committee. 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 2012

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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 14 and in the directors' report on page 7, both of which are not part of these financial statements.

The financial statements were authorised for issue by the directors on 14 September 2012. 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 2012

	Note	2012 \$	2011 \$
Other income	2	1,548,206	1,357,644
Share based employment benefits	28(c)	(705,904)	(129,668)
General and administrative expenses	3	(4,683,915)	(3,357,254)
Depreciation & amortisation	3	(317,327)	(264,894)
Employee benefits and associated costs	3	(3,460,947)	(2,903,215)
Exploration expenditure		(18,715,972)	(31,342,975)
Finance costs	3	(22,309)	(3,161)
Loss before income tax		(26,358,168)	(36,643,523)
Income tax expense	4	-	-
Loss for the year	18	(26,358,168)	(36,643,523)
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive loss for the year		(26,358,168)	(36,643,523)
Total comprehensive loss attributable to members of the parent entity		(26,358,168)	(36,643,523)
Basic and diluted loss per share (cents)	19	(2.28)	(3.80)

The accompanying notes form part of these financial statements.

CENTRAL PETROLEUM LIMITED

ABN 72 083 254 308

**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2012**

	Note	2012 \$	2011 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	12,105,232	9,463,949
Trade and other receivables	7	1,578,759	3,468,537
Inventories	8	1,051,439	853,995
Total current assets		<u>14,735,430</u>	<u>13,786,481</u>
Non-current assets			
Property, plant and equipment	9	1,780,765	828,358
Exploration assets	10	10,488,500	10,488,500
Intangible assets	11	51,785	72,406
Other financial assets	12	1,318,941	2,412,746
Total non-current assets		<u>13,639,991</u>	<u>13,802,010</u>
Total assets		<u>28,375,422</u>	<u>27,588,491</u>
LIABILITIES			
Current liabilities			
Trade and other payables	13	3,727,627	1,257,329
Provisions	14	361,027	386,128
Total current liabilities		<u>4,088,654</u>	<u>1,643,457</u>
Non-current liabilities			
Provisions	15	82,960	49,862
Total non-current liabilities		<u>82,960</u>	<u>49,862</u>
Total liabilities		<u>4,171,614</u>	<u>1,693,319</u>
Net assets		<u>24,203,808</u>	<u>25,895,172</u>
EQUITY			
Contributed equity	16	122,700,723	99,105,548
Reserves	17	7,964,729	6,893,100
Accumulated losses	18	(106,461,644)	(80,103,476)
Total equity		<u>24,203,808</u>	<u>25,895,172</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 2012

	Contributed equity \$	Reserves \$	Accumulated Losses \$	Total \$
Total equity at 1 July 2010	93,209,470	6,763,432	(43,459,953)	56,512,949
Total loss for the year	-	-	(36,643,523)	(36,643,523)
Other comprehensive loss	-	-	-	-
Total comprehensive loss for the year	-	-	(36,643,523)	(36,643,523)
<i>Transactions with owners in their capacity as owners</i>				
Share based payments	-	129,668	-	129,668
Share and option issues	6,451,281	-	-	6,451,281
Share issue costs	(555,203)	-	-	(555,203)
	5,896,078	129,668	-	6,025,746
Balance at 30 June 2011	99,105,548	6,893,100	(80,103,476)	25,895,172
Total loss for the year	-	-	(26,358,168)	(26,358,168)
Other comprehensive loss	-	-	-	-
Total comprehensive loss for the year	-	-	(26,358,168)	(26,358,168)
<i>Transactions with owners in their capacity as owners</i>				
Share based payments	-	705,904	-	705,904
Share based capital raising costs	-	365,725	-	365,725
Share and option issues	25,959,860	-	-	25,959,860
Share issue costs	(2,364,685)	-	-	(2,364,685)
	23,595,175	1,071,629	-	24,666,804
Balance at 30 June 2012	122,700,723	7,964,729	(106,461,644)	24,203,808

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 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Interest received		548,410	940,776
GST refunds received		4,238,151	2,674,149
Other income		9,774	358,829
Interest paid		(22,309)	(3,161)
Payments to suppliers and employees (inclusive of GST)		<u>(26,003,505)</u>	<u>(38,131,130)</u>
Net cash outflow from operating activities	24	<u>(21,229,479)</u>	<u>(34,160,537)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(1,183,943)	(578,079)
Payments for intangible assets		-	(5,565)
Payments for exploration assets		-	(319,718)
Redemption of security deposits and bonds		<u>1,093,805</u>	<u>1,016,177</u>
Net cash (outflow)/inflow from investing activities		<u>(90,138)</u>	<u>112,815</u>
Cash flows from financing activities			
Proceeds from the issue of shares, bonds and options		25,959,860	6,451,281
Payments for share issue and listing costs		<u>(1,998,960)</u>	<u>(469,189)</u>
Net cash inflow from financing activities		<u>23,960,900</u>	<u>5,982,092</u>
Net increase/(decrease) in cash and cash equivalents		2,641,283	(28,065,630)
Cash and cash equivalents at the beginning of the financial year		<u>9,463,949</u>	<u>37,529,579</u>
Cash and cash equivalents at the end of the financial year	6	<u>12,105,232</u>	<u>9,463,949</u>

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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 years 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 and Interpretations of the Australian Accounting Standards Board and the Corporations Act 2001. Central Petroleum Limited is a for-profit entity for the purpose of preparing the financial statements.

(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 2012 the Group incurred a loss before tax of \$26,358,168 and a cash outflow from operating activities of \$21,229,479.

As at 30 June 2012 the Group had cash assets amounting to \$12,105,232. Minimum cash requirements for the period until 12 months from the signing date of this report are expected to be in the vicinity of \$10,800,000. Accordingly the financial statements have been prepared on a going concern basis.

Whilst the Group has exploration plans and commitments in excess of cash reserves (note 27), 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.

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 2012. 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 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 2011:

• AASB 124 (Revised) <i>Amendments to Related Party Disclosures (December 2009)</i>
• AASB 2009-12 AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052
• AASB 2010-4 <i>Amendments to Australian Accounting Standards arising from the Annual Improvements Project, AASB's 1, 7, 101, 134 and Interpretation 13</i>
• AASB 2010-5 <i>Amendments to Australian Accounting Standards</i>
• AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042
• AASB 1054 <i>Australian Additional Disclosures</i>
• AASB 1048 <i>Interpretation of Standards</i>

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 2012

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 2011 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 circumstances, 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.

(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 2012

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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.

(g) 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 2012

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 hydrocarbon stocks, 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 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 2012

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
Motor Vehicles	5 – 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 these costs 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 licences 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 2012

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Central Petroleum Limited.

(ii) Tax consolidation legislation

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. Summary of significant accounting policies (continued)

(x) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 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.

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.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income
AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049

In September 2011, the AASB made an amendment to AASB 101 *Presentation of Financial Statements* which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group intends to adopt the new standard from 1 July 2012.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

When adopted, the Group does not expect the new standard to have an impact on its classification or measurement of the group's accounting for financial assets.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the group does not have any such liabilities.

AASB 10 Consolidated Financial Statements

AASB 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.

AASB 11 Joint Arrangements

AASB 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.

The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements.

CENTRAL PETROLEUM LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$	\$
2. Other income		
Interest	529,248	962,376
Research and development refunds	996,324	345,228
Foreign exchange gains	4,995	36,439
Other	17,639	13,601
Total other income	<u>1,548,206</u>	<u>1,357,644</u>
3. Expenses		
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	820	4,786
Plant and equipment	278,782	186,185
Leasehold improvements	1,184	1,553
Total depreciation	<u>280,786</u>	<u>192,524</u>
<i>Amortisation</i>		
Software	<u>36,541</u>	<u>72,370</u>
Write off of property, plant and equipment	9,297	5,058
Write off of intangible assets	-	6,159
Rental expense relating to operating leases – Minimum lease payments	466,003	433,265
Interest paid to suppliers and joint venture partners	22,309	3,161

CENTRAL PETROLEUM LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$	\$
4. Income tax		
The Consolidated Entity is in a tax loss position and is not yet in a situation whereby it can satisfy AASB 112 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	-	-
	<u>-</u>	<u>-</u>
(b) Numerical reconciliation of income tax expense and prima facie tax benefit		
Loss before income tax expense	(26,358,168)	(36,643,523)
Prima facie tax benefit at 30% (2011: 30%)	7,907,451	10,993,057
<i>Tax effect of amounts which are not deductible in calculating taxable income:</i>		
Depreciation on buildings	(246)	(1,436)
Non-deductible expenses	(5,321)	(4,213)
Share based payments	(321,489)	(38,900)
<i>Movement in items of deferred tax not recognised:</i>		
Provisions and accruals	(3,488)	737,276
Blackhole expenditure	(68,442)	(41,066)
Accrued income	5,749	6,480
Capitalised exploration expenditure	-	75,302
	<u>7,514,214</u>	<u>11,726,500</u>
Adjustment to current tax of prior periods relating to additional exploration deductions available upon entry into tax consolidation	-	3,578,268
Adjustment to deferred tax of prior periods relating to provisions and accruals	-	(67,719)
Deferred tax assets not recognised	<u>(7,514,214)</u>	<u>(15,237,049)</u>
Income tax expense	<u>-</u>	<u>-</u>

CENTRAL PETROLEUM LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$	\$
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 directly to equity	221,315	181,281
Deferred tax assets not recognised	<u>(221,315)</u>	<u>(181,281)</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>114,127,211</u>	<u>87,452,868</u>
Potential tax benefit @ 30%	<u>34,238,163</u>	<u>26,235,860</u>
 (e) Deferred tax assets and liabilities		
 Deferred tax assets		
Provisions	156,970	153,482
Blackhole expenditure	1,315,755	1,025,998
Undeducted losses	<u>34,238,163</u>	<u>25,594,227</u>
Total deferred tax assets before set-offs	35,710,888	26,773,707
Set-off of deferred tax liabilities pursuant to set-off provisions	<u>(3,147,281)</u>	<u>(3,153,030)</u>
Net deferred tax assets not recognised	<u>32,563,607</u>	<u>23,620,677</u>
 Deferred tax liabilities		
Accrued income	731	6,480
Capitalised exploration expenditure	<u>3,146,550</u>	<u>3,146,550</u>
Total deferred tax liabilities before set-offs	3,147,281	3,153,030
Set-off of deferred tax liabilities pursuant to set-off provisions	<u>(3,147,281)</u>	<u>(3,153,030)</u>
Net deferred tax liabilities	<u>-</u>	<u>-</u>

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	2012	2011
	\$	\$
5. Remuneration of auditors		
The following fees were paid or payable for services provided by PwC Australia, the auditor of the Company, its related practices and non-related audit firms:		
<i>(i) Audit and other assurance services</i>		
2012 Audit and review of financial statements	79,750	80,000
Under provision for 2011 audit and review of financial statements	14,345	-
Other assurance services		
Review of governance processes, controls and systems	-	45,500
	<u>94,095</u>	<u>125,500</u>
<i>(ii) Taxation services</i>		
Tax compliance	45,500	300
International tax consulting and advice	-	47,319
	<u>45,500</u>	<u>47,619</u>
<i>(iii) Other services</i>		
Benchmarking services	-	5,950
EGM related costs	6,500	-
TSX listing consulting & advice	30,000	-
Corporate and strategic advice	-	25,500
	<u>36,500</u>	<u>31,450</u>
Total remuneration of PwC	<u>176,095</u>	<u>204,569</u>
6. Cash and cash equivalents		
Cash at bank and in hand	<u>12,105,232</u>	<u>9,463,949</u>

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.

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	2012	2011
	\$	\$

7. Trade and other receivables

Current

Research and development refund from Australian Tax Office	987,023	-
Other receivables	79,353	37,446
GST receivables	296,945	3,250,856
Prepayments	215,438	180,235
	1,578,759	3,468,537

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

Crude oil	76,159	-
Drilling materials and supplies at cost	975,280	853,995
	1,051,439	853,995

9. Property, plant and equipment

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

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9. Property, plant and equipment (continued)

	Freehold Land \$	Freehold Buildings \$	Plant and equipment \$	Leasehold Improvements \$	Total \$
Year ended 30 June 2012					
Opening net book amount	230,000	186,666	408,703	2,989	828,358
Additions	-	9,495	1,294,406	800	1,304,701
Disposals, write offs and adjustments	-	-	(71,508)	-	(71,508)
Depreciation charge	-	(820)	(278,782)	(1,184)	(280,786)
Closing net book amount	230,000	195,341	1,352,819	2,605	1,780,765
At 30 June 2012					
Cost	230,000	200,947	2,100,231	13,470	2,544,648
Accumulated depreciation	-	(5,606)	(747,412)	(10,865)	(763,883)
Net book amount	230,000	195,341	1,352,819	2,605	1,780,765

2012

\$

2011

\$

10. Exploration assets

Acquisition costs of rights to explore

10,488,500

10,488,500

Movements for the year:

Balance at the beginning of the year

10,488,500

10,237,492

Expenditure incurred during the year

-

319,718

Expenditure written off during the year

-

(68,710)

Balance at the end of the year

10,488,500

10,488,500

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	2012	2011
	\$	\$

11. Intangible assets

Software

At the beginning of the year

Cost	264,456	269,174
Accumulated amortisation	<u>(192,050)</u>	<u>(121,054)</u>
Net book value	<u><u>72,406</u></u>	<u><u>148,120</u></u>

Movements for the year:

Opening net book amount	72,406	148,120
Additions	16,803	5,565
Disposals, write offs and other adjustments	(883)	(8,909)
Amortisation	<u>(36,541)</u>	<u>(72,370)</u>
Closing net book amount	<u>51,785</u>	<u>72,406</u>

At the end of the year

Cost	280,376	264,456
Accumulated amortisation	<u>(228,591)</u>	<u>(192,050)</u>
Net book value	<u>51,785</u>	<u>72,406</u>

12. Other financial assets

Security bonds on exploration permits	<u>1,318,941</u>	<u>2,412,746</u>
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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.

13. Trade and other payables

Trade payables	3,583,832	806,588
Other payables	<u>143,795</u>	<u>450,741</u>
	<u>3,727,627</u>	<u>1,257,329</u>

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.

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	2012	2011
	\$	\$
14. Current liabilities - Provisions		
Employee entitlements (b)	301,027	326,128
Restoration and rehabilitation (a)	60,000	60,000
	<u>361,027</u>	<u>386,128</u>
(a) Movements in restoration and rehabilitation provision		
Carrying amount at start of year	60,000	-
Charged/(credited) to profit or loss	-	60,000
Carrying amount at end of year	<u>60,000</u>	<u>60,000</u>
(b) Amounts not expected to be settled within the next 12 months		
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.		
Leave obligations expected to be settled after 12 months	-	<u>102,131</u>
15. Non-current liabilities - Provisions		
Employee entitlements – long service leave	<u>82,960</u>	<u>49,862</u>
16. Contributed equity		
(a) Share Capital		
1,383,376,265 (2011: 982,298,842) fully paid ordinary shares	<u>122,700,723</u>	<u>99,105,548</u>

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16. Contributed equity (continued)

(b) Movements in ordinary share capital

	Number of shares		\$	\$
	2012	2011	2012	2011
Balance at start of year	982,298,842	907,289,333	99,105,548	93,209,470
Exercise of listed options at 16 cents per share	6,000	9,509	960	1,281
Placement of share to sophisticated investors on 21 September 2011 at 5.5 cents	91,000,000	-	5,005,000	-
Share purchase plan placement of share to existing shareholders on 3 February 2012 at 5.5 cents	130,071,423	-	7,153,900	-
Placement of share to sophisticated investors on 3 February 2012 at 5.5 cents	50,000,000	-	2,750,000	-
Placement of share to institutional investors on 4 April 2012 at 5.5 cents	130,000,000	-	11,050,000	-
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	-	-	(2,364,685)	(555,203)
	1,383,376,265	982,298,842	122,700,723	99,105,548

(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
20 Jul 2011	Unlisted Employee options	20 Jul 2016	\$0.110	7,646,665
19 Aug 2011	Unlisted Employee options	19 Aug 2016	\$0.115	2,000,000
30 Aug 2011	Unlisted Employee options	30 Aug 2016	\$0.115	4,000,000
15 Nov 2011	Unlisted Employee options	15 Nov 2016	\$0.095	12,993,335
30 Nov 2011	Unlisted Employee options	30 Nov 2016	\$0.095	6,000,000
31 Mar 2012	Unlisted Shareholder options	31 Mar 2015	\$0.125	65,000,000
29 Jun 2012	Listed options (CTPO)	31 Mar 2014	\$0.160	28,571,431

(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	\$0.160	6,000

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16. Contributed equity (continued)

(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	31 Jul 2011	\$0.330	200,000
Unlisted Employee Options	31 Aug 2011	\$0.300	500,000
Unlisted Employee Options	17 Nov 2011	\$0.250	666,666
Unlisted Employee Options	19 Jan 2012	\$0.250	1,000,000
Unlisted Employee Options	16 Feb 2012	\$0.250	250,000
Unlisted Employee Options	23 Feb 2012	\$0.250	200,000
Unlisted Director Options	3 Jan 2012	Various	11,000,000
Unlisted Employee Options ¹	-	\$0.110	2,200,000

¹ options forfeited during the year

(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	\$0.160	302,875,956
Unlisted Employee options	31 Mar 2014	\$0.200	8,366,666
Unlisted Director options	31 Mar 2014	Various	7,500,000
Unlisted Shareholder options	31 Mar 2015	\$0.125	65,000,000
Unlisted Employee options	31 May 2015	\$0.122	6,340,000
Unlisted Employee options	31 Oct 2015	\$0.110	600,000
Unlisted Employee options	12 May 2016	\$0.120	300,000
Unlisted Employee options	20 Jul 2016	\$0.110	5,646,665
Unlisted Employee options	19 Aug 2016	\$0.115	2,000,000
Unlisted Employee options	30 Aug 2016	\$0.115	4,000,000
Unlisted Employee options	15 Nov 2016	\$0.095	12,993,335
Unlisted Employee options	30 Nov 2016	\$0.095	6,000,000

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.

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	2012	2011
	\$	\$

17. Reserves

Share options reserve	<u>7,964,729</u>	<u>6,893,100</u>
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Movements:

Balance at start of year	6,893,100	6,763,432
Share based payments costs	705,904	129,668
Share based capital raising costs	<u>365,725</u>	<u>-</u>
Balance at end of year	<u>7,964,729</u>	<u>6,893,100</u>

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

18. Accumulated losses

Movements in accumulated losses were as follows:

Balance at the start of the year	(80,103,476)	(43,459,953)
Net loss for the year	<u>(26,358,168)</u>	<u>(36,643,523)</u>
Balance at the end of the year	<u>(106,461,644)</u>	<u>(80,103,476)</u>

19. Loss per share

(a) Basic loss per share (cents)	<u>(2.28)</u>	<u>(3.80)</u>
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(b) Diluted loss per share (cents)	<u>(2.28)</u>	<u>(3.80)</u>
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(c) Loss used in loss per share calculation

Loss attributable to ordinary equity holders of the Company	<u>(26,358,168)</u>	<u>(36,643,523)</u>
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(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>1,157,003,501</u>	<u>963,598,282</u>
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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.

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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. The consolidated entity's operations are wholly in one geographical location being Australia.

	2012	2011
	\$	\$

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	11,448,146	5,582,000
Non-current assets	<u>12,569,131</u>	<u>12,994,160</u>
Total assets	<u>24,017,277</u>	<u>18,576,160</u>
Current liabilities	(3,281,899)	(1,238,240)
Non-current liabilities	<u>-</u>	<u>(49,862)</u>
Total liabilities	<u>(3,281,899)</u>	<u>(1,288,102)</u>
Net assets	<u>20,735,378</u>	<u>17,288,058</u>
<i>Shareholders' equity:</i>		
Issued capital	122,700,723	99,105,548
Reserves	7,964,729	6,893,100
Accumulated losses	<u>(109,930,074)</u>	<u>(88,710,590)</u>
Total equity	<u>20,735,378</u>	<u>17,288,058</u>
Loss for the year	<u>(21,219,484)</u>	<u>(19,587,026)</u>
Total comprehensive loss	<u>(21,219,484)</u>	<u>(19,587,026)</u>

(b) Guarantees entered into by the parent entity

No guarantees have been provided by the parent entity (2011: Nil).

(c) Contingent assets and 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 (2011: Nil).

(d) Commitments of the parent entity

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

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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	
			2012	2011
			%	%
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.

	2012	2011
(d) Transactions with other related parties	\$	\$
<i>Superannuation contributions</i>		
Contributions to superannuation funds on behalf of employees	<u>283,113</u>	<u>242,169</u>

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	2012	2011
	\$	\$
23. Key management personnel (continued)		
(a) Key management personnel compensation		
Short-term employee benefits	2,074,783	1,186,032
Post-employment benefits	218,246	87,819
Long-term benefits	11,601	20,393
Share based payments	268,426	31,108
	2,573,056	1,325,352

Detailed remuneration disclosures are provided in the remuneration report on pages 17 to 26.

(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 17 to 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	Held at date of departure	Balance at end of year	Vested and exercisable	Unvested
Non-Executive Directors								
Henry Askin								
2012	5,340,000	-	-	(2,000,000)	N/A	3,340,000	3,340,000	-
2011	5,340,000	-	-	-	N/A	5,340,000	5,340,000	-
William Dunmore								
2012	3,400,000	-	-	(2,000,000)	N/A	1,400,000	1,400,000	-
2011	3,400,000	-	-	-	N/A	3,400,000	3,400,000	-
Michael Herrington								
2012	N/A	-	-	-	N/A	-	-	-
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wrixon Gasteen								
2012	N/A	-	-	-	N/A	-	-	-
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Andrew Whittle								
2012	N/A	-	-	-	N/A	-	-	-
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Richard Faull								
2012	3,580,550	-	-	(2,000,000)	1,580,550	N/A	N/A	N/A
2011	3,580,550	-	-	-	N/A	3,580,550	3,580,550	-
Edmund Babington								
2012	N/A	-	-	-	-	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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23. Key management personnel (continued)

(b) Equity instrument disclosures relating to key management personnel

	Balance at start of year	Granted as compensation	Exercised	Other changes	Held at date of departure	Balance at end of year	Vested and exercisable	Unvested
Executive Directors and Other Key Management Personnel								
Richard Cottee								
2012 ¹	N/A	-	-	-	N/A	-	-	-
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Daniel White								
2012	3,096,000	1,550,000	-	-	N/A	4,646,000	4,646,000	-
2011	3,096,000	-	-	-	N/A	3,096,000	2,096,000	1,000,000
Bruce Elsholz								
2012	2,000,000	1,000,000	-	-	N/A	3,000,000	3,000,000	-
2011	2,000,000	-	-	-	N/A	2,000,000	1,333,332	666,668
Dalton Hallgren								
2012	-	4,000,000	-	-	N/A	4,000,000	2,000,000	2,000,000
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Trevor Shortt								
2012	-	4,000,000	-	-	N/A	4,000,000	2,000,000	2,000,000
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
John Heugh								
2012	7,803,978	-	-	(5,000,000)	2,803,978	N/A	N/A	N/A
2011	7,503,978	-	-	300,000	N/A	7,803,978	7,803,978	-

¹ 172,922,033 unlisted options exercisable at \$0.09 on or before 15 November 2015 and 15 November 2017 were issued to FEP on 8 August 2012, a company in which Richard Cottee has a beneficial equity interest.

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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.

	Held at beginning of year	Held at date of appointment	Share purchase plan issue	Received on exercise of options	Net change other	Held at date of departure	Held at end of year
Non-Executive Directors							
Henry Askin							
2012	3,600,000	N/A	272,728	-	-	N/A	3,872,728
2011	3,600,000	N/A	-	-	-	N/A	3,600,000
William Dunmore							
2012	766,666	N/A	-	-	-	N/A	776,666
2011	766,666	N/A	-	-	-	N/A	776,666
Michael Herrington							
2012	N/A	-	-	-	-	N/A	-
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wrixon Gasteen							
2012 ¹	N/A	-	-	-	-	N/A	-
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Andrew Whittle							
2012	N/A	-	-	-	400,000	N/A	400,000
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Richard Faull							
2012	2,386,100	N/A	90,910	-	-	2,477,010	N/A
2011	2,386,100	N/A	-	-	-	N/A	2,386,100
Edmund Babington							
2012	N/A	-	-	-	-	-	N/A
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Executive Directors and Other Key Management Personnel							
Richard Cottee							
2012	N/A	-	-	-	-	N/A	-
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Daniel White							
2012	1,440,000	N/A	-	-	-	N/A	1,440,000
2011	1,440,000	N/A	-	-	-	N/A	1,440,000
Bruce Elsholz							
2012	-	N/A	-	-	-	N/A	-
2011	-	N/A	-	-	-	N/A	-
Dalton Hallgren							
2012	N/A	-	-	-	-	N/A	-
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Trevor Shortt							
2012	N/A	-	-	-	-	N/A	-
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A
John Heugh							
2012	5,741,429	N/A	272,728	-	-	6,014,157	-
2011	5,703,693	N/A	-	-	37,736	N/A	5,741,429

¹200,000 ordinary shares purchased on 11 July 2012

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(c) Other transactions with key management personnel

(i) During the year ended 30 June 2012 the consolidated entity paid \$46,528 (2011: \$59,423) to Dunmore Consulting, a business in which Mr Dunmore is the principal, for the provision of technical and corporate advisory services. This transaction was on normal commercial terms and conditions no more favourable than those available to other parties.

(ii) During the year ended 30 June 2012 the consolidated entity paid \$25,000 (2011: \$nil) to Jabiru Energy, Development and Innovation Pty Ltd, a business in which Mr Herrington is the principal, for the provision of corporate advisory services prior to appointment to the board of directors of the Company. This transaction was on normal commercial terms and conditions no more favourable than those available to other parties.

(iii) FEP has provided the services of Richard Cottee on the basis of a secondment to the Company. As such compensation is made to FEP in line with Richard Cottee's service agreement shown on page 25. Richard Cottee has a beneficial equity interest in FEP.

During the year ended 30 June 2012 FEP have received compensation of \$158,913 with \$29,796 expensed for services provided to 30 June 2012. \$129,117 has been treated as a prepayment in the reporting period as it relates to future service for the period 1 July 2012 to 30 September 2012. An accrual for \$435,000 exists in relation to Mr Cottee's sign on payment of \$250,000, and incidental expenses incurred by FEP of \$185,000.

	2012	2011
	\$	\$

24. Reconciliation of loss after income tax to net cash outflow from operating activities

Loss after income tax	(26,358,168)	(36,643,523)
<i>Adjustments for:</i>		
Depreciation and amortisation	317,327	264,894
Share-based payments	705,904	129,668
Write off of property, plant and equipment	9,297	5,058
Write off of intangible assets	-	6,159
<i>Changes in assets and liabilities relating to operating activities:</i>		
Decrease in trade and other receivables	1,889,778	9,464,834
(Increase) / decrease in inventories	(197,444)	114,381
Decrease in exploration assets	-	68,709
Increase / (decrease) in trade and other payables	2,428,928	(7,780,978)
(Decrease) / increase in provisions	(25,101)	210,261
Net cash outflow from operating activities	<u>(21,229,479)</u>	<u>(34,160,537)</u>

25. Non-cash investing and financing activities

There were no non-cash investing and financing activities (2011: Nil).

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26. Contingencies

(a) Contingent liabilities

(i) The consolidated entity had contingent liabilities at 30 June 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.

(ii) During the 2012 financial year various legal claims were made against the Company by Petroleum Nominees Pty Ltd ("PNPL"), a Clive Palmer company.

On 31 August 2012 the Company announced to the ASX that all legal proceedings with PNPL had been settled with no material financial outflow to the Company incurred.

(iii) On 26 March 2012 the Company advised that it had terminated the employment of Mr John Heugh. Mr John Heugh commenced an action in the Supreme Court of Western Australia against the Company disputing the Company's termination of his employment. The Company is defending the action vigorously.

On 13 April 2012 the Company advised that Mr John Heugh had served an application seeking an injunction in the Supreme Court of Western Australia to restrain the Company from:

- taking any steps to call a general meeting of members of the Company to consider a resolution that Mr John Heugh be removed as a director of the Company; or
- further or alternatively from moving such resolution at any general meeting, pending the hearing and determination of Mr John Heugh's legal action disputing the Company's termination of his employment (as announced on 26 March 2012).

On 17 April 2012 the Company advised that the injunction application brought by Mr John Heugh had been dismissed by the Court. Mr John Heugh was ordered to pay the Company's costs of the application.

The directors believe that a favourable outcome to the dispute is probable and no material amounts will be payable by the Company.

(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 Company is currently preparing for its arbitration proceedings against Century Energy Services Pty Ltd and MB Century Drilling Pty Ltd. The matter is currently expected to proceed to an arbitration hearing in the first quarter of 2013.

The directors believe a favourable outcome is probable. However, the contingent asset has not been recognised as a receivable at 30 June 2012 as receipt of the amount is dependent on the outcome of the proceedings.

There were no other contingent assets at 30 June 2012 (30 June 2011 - \$nil).

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	2012	2011
	\$	\$

27. Commitments

(a) Capital commitments

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

Petroleum EPs 82, 93, 97, 105, 106, 107, 112, 115, 118, and 125.

Mineral ELs 27094, 27100, 27101, 27102, 27103, 27104, 27105, 27107, 27108, 27109, 27110, 27114, 28095, 28096 and 28097.

The following amounts are due:

Within one year	18,291,583	11,634,000
Later than one year but not later than five years	60,528,250	57,041,000
	<u>78,819,833</u>	<u>68,675,000</u>

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, Alice Springs and Brisbane. The leases have varying terms, escalation clauses and renewal rights.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	661,627	384,494
Later than one year but not later than five years	751,446	185,364
	<u>1,413,073</u>	<u>569,858</u>

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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 or forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at the end of the year
2012							
31 July 2011	\$0.33	200,000	-	-	(200,000)	-	-
31 August 2011	\$0.30	500,000	-	-	(500,000)	-	-
17 November 2011	\$0.25	666,666	-	-	(666,666)	-	-
3 January 2012	\$0.28	2,200,000	-	-	(2,200,000)	-	-
3 January 2012	\$0.33	2,200,000	-	-	(2,200,000)	-	-
3 January 2012	\$0.37	2,200,000	-	-	(2,200,000)	-	-
3 January 2012	\$0.43	2,200,000	-	-	(2,200,000)	-	-
3 January 2012	\$0.50	2,200,000	-	-	(2,200,000)	-	-
19 January 2012	\$0.25	1,000,000	-	-	(1,000,000)	-	-
16 February 2012	\$0.25	250,000	-	-	(250,000)	-	-
23 February 2012	\$0.25	200,000	-	-	(200,000)	-	-
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	8,366,666
31 May 2015	\$0.122	6,340,000	-	-	-	6,340,000	6,290,000
31 October 2015	\$0.11	800,000	-	-	(200,000) ¹	600,000	433,333
12 May 2016	\$0.12	300,000	-	-	-	300,000	200,000
20 Jul 2016	\$0.11	-	7,646,665	-	(2,000,000) ¹	5,646,665	4,431,110
19 Aug 2016	\$0.115	-	2,000,000	-	-	2,000,000	2,000,000
30 Aug 2016	\$0.115	-	4,000,000	-	-	4,000,000	2,000,000
15 Nov 2016	\$0.095	-	12,993,335	-	-	12,993,335	12,993,335
30 Nov 2016	\$0.095	-	6,000,000	-	-	6,000,000	3,000,000
Totals		37,123,332	32,640,000	-	(16,016,666)	53,746,666	47,214,444
Weighted average exercise price		\$0.261	\$0.102	-	\$0.324	\$0.146	\$0.151
Weighted average remaining contractual life (years) at the end of the year						3.829	

¹ Options were forfeited during the year

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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
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					2.330		

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28. Share based payments (continued)

(b) Employee options granted during the year

Options granted during the year ended 30 June 2012 and 30 June 2011 were valued using a binomial option pricing model. 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
2012								
20 Jul 2011	20 Jul 2016	7,646,665	\$0.0278	\$0.110	\$0.065	87.44%	4.37%	0.0%
19 Aug 2011	19 Aug 2016	2,000,000	\$0.0342	\$0.115	\$0.065	92.06%	3.74%	0.0%
30 Aug 2011	30 Aug 2016	4,000,000	\$0.0351	\$0.115	\$0.066	92.16%	3.99%	0.0%
15 Nov 2011	15 Nov 2016	12,993,335	\$0.0232	\$0.095	\$0.057	72.93%	3.60%	0.0%
30 Nov 2011	30 Nov 2016	6,000,000	\$0.0243	\$0.095	\$0.057	70.04%	3.38%	0.0%
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%

* 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.

(c) Expenses arising from share-based payment transactions

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

	2012	2011
	\$	\$
Options issued to directors and employees	705,904	129,668

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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	
	2012 \$	2011 \$	2012 \$	2011 \$
Past due: 0 – 30 days	1,104,007	117,131	-	-
Past due: 31 – 150 days	229,226	538,458	-	-
Past due: 151 – 365 days	30,074	1,575,927	-	-
Past due: More than 1 year	-	1,056,786	-	-
	1,363,307	3,288,302	-	-

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 2012 relate predominantly to Research & Development and GST refunds due from the Australian Tax Office. Over 97% of trade and other receivables have been received to date.

(b) Liquidity Risk

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

2012	≤ 6 months \$	6 - 12 months \$	1 - 5 years \$	≥ 5 years \$	Total \$
Financial Assets					
Cash and cash equivalents	12,105,232	-	-	-	12,105,232
Trade and other receivables	1,363,307	-	-	-	1,363,307
Other financial assets	-	-	1,318,941	-	1,318,941
	13,468,539	-	1,318,941	-	14,787,480
Financial Liabilities					
Trade and other payables	(3,727,627)	-	-	-	(3,727,627)
	(3,727,627)	-	-	-	(3,727,627)

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29. Financial risk management (continued)

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)

(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	
	2012 %	2011 %	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
Financial Assets:										
Cash and cash equivalents	3.1	2.7	12,105,232	9,463,949	-	-	-	-	12,105,232	9,463,949
Trade and other receivables	-	-	-	-	-	-	1,363,307	3,288,302	1,363,307	3,288,302
Other financial assets	3.6	5.7	-	-	912,239	2,271,438	406,702	141,308	1,318,941	2,412,746
			12,105,232	9,463,949	912,239	2,271,438	1,770,009	3,429,610	14,787,480	15,164,997
Financial Liabilities:										
Trade and other payables	-	-	-	-	-	-	3,727,627	1,257,329	3,727,627	1,257,329
			-	-	-	-	3,727,627	1,257,329	3,727,627	1,257,329
Net Financial Assets/(Liabilities)			12,105,232	9,463,949	912,239	2,271,438	(1,957,618)	2,172,281	11,059,853	13,907,668

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 2011.

	Profit or Loss		Equity	
	10% Increase	10% Decrease	10% Increase	10% Decrease
2012				
Cash and cash equivalents	37,526	(37,526)	-	-
2011				
Cash and cash equivalents	25,309	(25,309)	-	-

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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	2012	2011
		%	%
EP 97 Joint Venture (Rawson)	Oil & gas exploration	80.00	80.00
EP 82 Magee Joint Venture (OGE)	Oil & gas exploration	86.12	86.12
EP 125 Mt Kitty Joint Venture (OGE)	Oil & gas exploration	76.54	76.54

Rawson = Rawson Resources Limited

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

The share in the assets and liabilities of the joint ventures where less than 100% interest is held by the Company are included in the consolidated entity's balance sheets in accordance with the accounting policy described in note 1(b) under the following classifications:

	2012	2011
	\$	\$
Current assets		
Cash and cash equivalents	256,888	228,707
Trade and other receivables	124,289	371,323
Total assets	381,177	600,030
Current liabilities		
Trade and other payables	589,995	87,919
Net assets	(208,818)	512,111
Joint venture contribution to loss before tax		
Revenue	20,323	110,021
Expenses	(1,676,279)	(18,794,907)
Loss before income tax	(1,655,956)	(18,684,886)

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31. Events occurring after the reporting period

Subsequent to 30 June 2012 the following events have occurred:

(i) Option issues

The Company issued unlisted options to FEP on 8 August 2012, a Company in which Mr Richard Cottee has a beneficial interest. The issued unlisted options are set out below;

Grant Date	Number of options issued	Exercise price	Fair value per option	Expiry Date
8 Aug 2012	48,418,169	\$0.09	\$0.022	15 Nov 15
8 Aug 2012	55,335,051	\$0.09	\$0.027	15 Nov 17
8 Aug 2012	69,168,813	\$0.09	\$0.024	15 Nov 17

(ii) Legal Actions with Petroleum Nominees Pty Ltd (a Clive Palmer company) ("PNPL")

Please refer to note 26(a)(ii).

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.

DIRECTORS' DECLARATION

In the directors opinion:

- a) the financial statements and notes set out on pages 34 to 73 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 2012 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:



Richard Cottee
Executive Director

Perth, 14 September 2012



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 2012, 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 both Central Petroleum Limited and 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.

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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 2012 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 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

William P R Meston
Partner

Perth
14 September 2012

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308
ASX ADDITIONAL INFORMATION AT 31 AUGUST 2012

Details of shares and options as at 31 August 2012:

Top holders

The 20 largest registered holders of each class of quoted equity security as at 31 August 2012 were:

Ordinary fully paid shares

	Name	No. of Shares	%
1.	Merrill Lynch (Australia) Nominees Pty Limited	67,224,594	4.86
2.	Citicorp Nominees Pty Limited	40,397,487	2.92
3.	National Nominees Limited	29,820,530	2.16
4.	Petroleum Nominees Pty Limited	27,413,896	1.98
5.	Marford Group Pty Limited	14,832,421	1.07
6.	Brighten International Pty Limited	13,841,551	1.00
7.	Mr Mark Philip Shawcross	13,070,001	0.94
8.	JP Morgan Nominees Australia Limited <cash income a/c>	11,351,676	0.82
9.	HSBC Custody Nominees (Australia) Limited	11,058,113	0.80
10.	Franze Holdings Pty Limited	10,232,728	0.74
11.	RBJ Nominees Pty Limited <superannuation fund a/c>	10,050,000	0.73
12.	Renlyn Bell Investments Pty Limited <g&r bonaccorso family a/c>	10,016,670	0.72
13.	AMG International Pty Limited	8,915,000	0.64
14.	Petroleum Nominees Pty Limited	8,700,000	0.63
15.	Salavente Pty Limited <grb superannuation fund a/c>	8,625,000	0.62
16.	Mr Geoffrey Rol	7,966,731	0.58
17.	UBS Nominees Pty Limited	7,572,897	0.55
18.	Brispot Nominees Pty Limited <house head nominee no 1 a/c>	6,817,525	0.49
19.	EPS Management Pty Limited <the philis super fund a/c>	6,416,638	0.46
20.	Advent Energy Limited	6,250,000	0.45
		320,573,458	23.17

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

	Name	No. of Options	%
1.	Franze Holdings Pty Limited	9,230,000	3.05
2.	Mr Philip Howard Robson	6,671,446	2.20
3.	Avatar Equities Pty Limited <avatar share trading a/c>	5,662,526	1.87
4.	Victor M Lewis Pty Limited	5,000,000	1.65
5.	Mrs Melanie Mullins	4,952,663	1.64
6.	Mrs Yoke Khaw Lo + Dr Kelvin Lo <nu piggie super fund a/c>	4,500,000	1.49
7.	Mr James David Harry Boddam-Whetham	4,443,898	1.47
8.	Renlyn Bell Investments Pty Limited <g&r bonaccorso family a/c>	4,350,000	1.44
9.	Dr Kelvin Lo + Mrs Yoke Lo <nu piggie super fund a/c>	4,250,000	1.40
10.	Citicorp Nominees Pty Limited	4,245,606	1.40
11.	Madeiros Pty Limited	4,125,000	1.36
12.	Mr Robert Baskerville Long	3,617,929	1.19
13.	National Nominees Limited	3,279,750	1.08
14.	Merrill Lynch (Australia) Nominees Pty Limited	3,255,563	1.07
15.	Mr Terrence McCarthy	3,250,000	1.07
16.	Advent Energy Limited	3,125,000	1.03
17.	Mr Brian Douglas Hill	3,000,000	0.99
18.	Dr Kelvin Lo	3,000,000	0.99
19.	Atlantis Investigations Pty Limited <larayne porter s/fund a/c>	2,906,904	0.96
20.	Mr David Christopher Kemp	2,904,423	0.96
		85,770,708	28.32

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308
ASX ADDITIONAL INFORMATION AT 31 AUGUST 2012

Distribution schedules

A distribution schedule of each class of equity security as at 31 August 2012:

Ordinary fully paid shares

Range	Holders	Units	%
1 - 1,000	225	31,554	0.00
1,001 - 5,000	638	2,432,178	0.18
5,001 - 10,000	1,258	10,477,933	0.76
10,001 - 100,000	4,566	197,030,892	14.24
100,001 - Over	1,942	1,173,403,708	84.82
Total	8,629	1,383,376,265	100.00

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

Range	Holders	Units	%
1 - 1,000	605	379,488	0.13
1,001 - 5,000	782	2,150,069	0.71
5,001 - 10,000	362	2,814,549	0.93
10,001 - 100,000	772	30,145,040	9.95
100,001 - Over	406	267,386,810	88.28
Total	2,927	302,875,956	100.00

Substantial shareholders

As at 31 August 2012, there are no substantial shareholders in the Company.

Restricted Securities

As at 31 August 2012, the Company had no restricted securities.

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 4,762 shares as at 31 August 2012):

Holders	Units
679	1,548,508

Holdings less than a marketable parcel of listed options exercisable at \$0.16 each on or before 31 March 2014 (being 16,130 options as at 31 August 2012):

Holders	Units
1,918	7,576,240

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 31 AUGUST 2012

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		

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 He Nuclear Limited).

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