Interim Financial Report

Half-year ended 31 December

2016

Central Petroleum Limited
ABN 72 083 254 308

CONTENTS

31 December 2016

DIRECTORS' REPORT

31 December 2016

The Directors present their report on the consolidated entity consisting of Central Petroleum Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

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

Robert Hubbard
Richard I Cottee
Wrixon F Gasteen
Peter S Moore
J Thomas Wilson (resigned 15 July 2016)

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

Principal Activity

The principal continuing activity of the consolidated entity ("the Group") during the period was the exploration, development and production of hydrocarbons.

Highlights for the half-year reporting period and up to the date of this report

- The Council of Australian Governments ("COAG") Energy Council met on 19 August 2016 with Ministers agreeing on a package of measures designed to deliver better functioning and competitive energy markets. As a result, a Gas Market Reform Group led by Dr Michael Vertigan AC was formed to implement the gas reform package.
- The Vertigan Report was adopted by the Council of Australian Governments' Energy Ministers on 14 December 2016 foreshadowing a basic structural reform of pipeline tariffs and services.
- Testing of the Stairway Sandstone at Mereenie from the previously drilled West Mereenie-15 continues free flowing gas at sustainable rates with a low nitrogen content of 2.6%. Additional recompletion opportunities have been identified.
- "Free Carry" obligations under the Mereenie Acquisition were concluded during the period with a final payment of $3.3 million to Santos to account for the under spend.
- On 10 November 2016, the Company received an unsolicited, indicative and non-binding proposal from Macquarie to acquire 100% of the issued capital of Central by way of a Scheme of Arrangement at 17.5 cents per share. The Board of Directors subsequently determined the proposal was not in the best interests of shareholders, however granted Macquarie confidential due diligence and discussions are continuing.
- Santos Limited sold its 50% interest in the Mereenie Oil and Gas Field (including the Mereenie to Alice Springs Pipeline) to Macquarie Mereenie Pty Ltd, a subsidiary of Macquarie, for $52 million. Central remains Operator of the Mereenie Field.

Commentary and Outlook

This half year reflects a full 6 months performance of all our operating assets with a pleasing continuation of prudent cost control improving operating cash flow and profit performance. During the half-year, the final instalment of the acquisition of Mereenie was completed and some progress was made on the potential of the Stairway formation at Mereenie. We went back to an existing well WM-15, which had been drilled previously and perforating the Stairway formation with the resultant flows being on the high side of prognosis.

In December, Santos announced the sale of its interest in Mereenie to Macquarie Bank Limited (Macquarie) for a disclosed price of $52 million. Whilst we were interested in the Santos interest our capital position prevented any acquisition. However, we now believe both joint venturers have a desire to optimise the development of that field to coincide with the scheduled completion of the Northern Gas Pipeline ("NGP") in the second half of next year. The NGP has been progressing with 10% of the pipe required having delivered to Tennant Creek.

DIRECTORS' REPORT

31 December 2016

Principal Activity (*continued*)

Commentary and Outlook (*continued*)

The recent announcement by Jemena, whereby it has rescheduled its work priorities does not impact the date at which the pipeline is expected to be completed.

The East Coast Gas Market continues to tighten with energy security becoming a mainstream issue. We are now seeing both government and supplier responses to the issue such that Central no longer needs to be loud amongst the few voices calling for necessary change. Consequently, the Company now expects the market imbalance to last for 5 to 7 years before returning to historical trends. Markets always balance over time and the real question remains to what extent the rebalancing is caused by permanent demand destruction versus increase in supply. Two points should be noted as a result of this belief, namely it is imperative:

1. To have the capital to develop the maximum reserves in time for sales in the second half of next year; and
2. Any delay in proving up reserves that cause the sales to be contracted after 2021 may be at historical trend price rather than that obtaining during the shortfall.

Total has advised its intention to withdraw from Stage 2 of the Southern Georgina joint venture. The consequences of this are:

1. Central retains a 100% interest and all obligations associated with the permits; and
2. Central no longer has to pay its last portion of Stage 1 of the farm-in, which was over $2 million.

The Company believes that the acreage remains prospective. We will likely redesign our ongoing efforts to target lower-risk prospects. However, given we are in advance of the required permit spend, Southern Georgina will not be a priority for the Company for the foreseeable future.

Discussions are continuing with Macquarie on a potential scheme of arrangement. The Directors are aware that the shareholders are the ultimate owners of the Company and, if an offer is made that is, in their opinion, in the best interests' of the Company, then the shareholders should be given an opportunity to have their say.

In August last year, the Council of Australian Governments ("COAG") commissioned a report from Dr Michael Vertigan to look at ways by which the cost of transportation of gas to the major demand could be lessened by regulation change or otherwise. In December, Dr Vertigan gave his report to the COAG Energy Ministers, which adopted his recommendation. The import of his recommendations were that, instead of further regulation, they would create an easy access arbitration route which arbitration would, based on to-be-established economic principles, be available for pipelines greater than 15 years old. Those principles would recognise the capital which had been paid back and would cover ancillary services and back haul.

COAG commissioned Dr Vertigan to establish the arbitration mechanism and the economic principles to be considered at the mid-May COAG meeting. The effect of this should be a material decrease in tariffs imposed in getting to Tennant Creek and from Mt Isa to either Sydney or Melbourne as these are all currently back haul. Central will continue to play its role in the Vertigan formulation of arbitration and economic principles.

The Company will also be making representations into the Northern Territory Hydraulic Fracking Inquiry even though it is presently not covered by the moratorium.

DIRECTORS' REPORT

31 December 2016

Review of Operations and other Joint Venture Activities

Mereenie Oil and Gas Field (OL4 and OL5) – Northern Territory

(CTP – 50% interest [Operator], Santos – 50% interest))

During the half-year:

- Central continues to recruit (in the Northern Territory) Northern Territorians and Traditional Owners.
- Annual meeting with Central Land Council (CLC) and Traditional Owners held at Mereenie on October 27, 2016.
- Annual pre-budget Technical Committee Meeting (TCM) and Operating Committee Meeting (OCM) was held with Santos on November 6, 2017.
- Statutory vessel inspections in November and December 2016.
- Wellhead gas samples from 30 gas producing wells were taken and their compositions determined. This is aiding in production optimisation and Material Balance simulation modeling of the field.
- Central continued to work extensively on the Development Planning for Mereenie to provide additional supply into the Northern Territory or the Northern Gas Pipeline (NGP) in 2018. A brief summary of the work performed to date is as follows:
    - Continue to identify key production areas in the field concentrating on programs for the optimisation of the existing P1 and P3 Gas caps. Static gradient surveys have been executed providing reservoir pressure data in support of the modelling work.
    - Large volumes of Contingent Resources have been identified in the Stairway and P4 formations.
    - Currently modeling natural fractures in the Mereenie field. Surface fracture data has been gathered across a large number of outcrops. This data is being analysed to establish fracture propensity, orientation and location.
    - Petrophysical re-interpretation has identified two workover candidates to verify existing fractures.
    - Special core analysis was completed.
- West Mereenie 15 well continues to flow. This well has lowered nitrogen levels in the sales gas stream by about 1%.
- Process Flow Diagrams and Piping and Instrument Diagrams are complete ensuring that all operations are compliant.

Health, Safety and the Environment

- Central achieved a safety milestone of 4 years LTI free, while increasing wells under our operatorship from 1 to 87.
- Central operated BECGS, Palm Valley and Mereenie without a recordable or reportable environmental incident.
- Central has initiated a comprehensive training program to up-skill current capabilities and competencies.
- Central had its Field Environment Management Plan accepted by the Northern Territory Department of Mines and Energy (compliant with new legislation).
- Low Ecological Services is monitoring compliance with Central's Field Environment Management Plan.
- Central continues the close out of operations transition projects. Projects this half year included repair of erosion around buried pipelines.

DIRECTORS' REPORT

31 December 2016

Review of Operations and other Joint Venture Activities (*continued*)

Dingo Gas Field (L7) and Dingo Pipeline (PL30) – Northern Territory

(CTP – 100% Interest)

During the half-year:

- Central continues to increase local content in the Northern Territory for Northern Territorians and Traditional Owners. Most Dingo staff are now based in Alice Springs.

Health, Safety and the Environment

- Central continues to operate Dingo without recordable or reportable LTI or environmental incidents.
- Central has initiated a comprehensive training program to up-skill current capabilities and competencies.

Palm Valley Gas Field (OL3) – Northern Territory

(CTP - 100% Interest)

During the half-year:

- Palm Valley was brought on line to provide our customers with gas while the Dingo and Mereenie plants were shut-down for annual maintenance.
- Shut-down maintenance, vessel inspections and PSV testing were carried out. No non-conformances identified.
- Compressors are started on a monthly basis.
- Instrumentation engineering study conducted to determine scope of work to remotely operate field.

Surprise Production Licence (L6) – Northern Territory

(CTP - 100% Interest)

During the half-year:

- Surprise West remained shut-in during the half year. The well is shut-in to gather pressure data to assess the re-charge potential of the field. Should oil prices recover significantly, production can recommence after assessing the pressure build-up. Fluid level monitored regularly.

DIRECTORS' REPORT

31 December 2016

Exploration Review

ATP 909, ATP 911 and ATP 912, Southern Georgina Basin – Queensland

(Joint Venture between CTP - 90% interest [Operator] and Total – 10% interest [earning])

As at 31 December 2016, Central and Total had suspended work. Subsequently Total have elected not to proceed to the next stage of the farmin (refer Note 13). Central will now re-consider its options regarding the permits.

Santos Stage 2 Farmout – Southern Amadeus Basin, Northern Territory

The Operator (Santos) has completed analysis of integrated seismic, gravity, and historic well data and selection of line locations for Stage 2. The final Land Access and Compensation Agreement for the Amadeus 2D seismic survey is completed and ministerial approval was obtained. Seismic data acquisition commenced in November 2016 and is expected to be completed mid-2017, weather permitting. Subsequent data processing is expected to be completed in the third quarter of 2017.

Central is actively reviewing data in these permits, seeking to upgrade a variety of exploration play types and targets, which could be prospective for hydrocarbons and/or helium.

Southern Amadeus Area	Total Santos Participating Interest after completion of Stage 1	Total Santos Participating Interest after completion of Stage 2
EP82 (excluding EP82 Sub-Blocks)	25%	40% (i.e. additional 15% earned)
EP105	25%	40% (i.e. additional 15% earned)
EP106 *	25%	40% (i.e. additional 15% earned)
EP112	25%	40% (i.e. additional 15% earned)

* *Santos (as Operator) has continued the process of an application with the NT Department of Primary Industry and Resources for consent to surrender Exploration Permit 106.*

The survey comprises two rounds, the first round being over 1,000km of 2D seismic to mature the natural gas and helium prospective Dukas and Mahler leads, and to gather data for the Rossini lead. The second part of the seismic acquisition program will consist of additional 2D seismic lines over the Dukas Lead to bring the total program to 1,300 line km. Second round line locations will be confirmed at the end of the first round.

The joint venture's exploration endeavours in this and surrounding permits will focus on maturing large sub-salt leads to drillable status by acquiring further seismic in Phase 2. The primary reservoir objective is the Heavitree Quartzite. Secondary reservoir objectives in the Neoproterozoic units include the Areyonga Fm and Pioneer Ss which are gas bearings in the Ooraminna field.

Amadeus Basin (includes EP115 North West Mereenie Block NMB), Northern Territory

Central's evaluation of inventory of leads and prospects is now completed. Play types and leads have been developed for the under-explored section underlying the proven Larapintine system, which is believed prospective for gas.

Other Exploration and Application Areas

No significant developments occurred in Central's other exploration and application areas during the half year. However, Central continues to work with stakeholders and progress discussions pertaining to grant of application areas and rationalisation of low prospectivity areas.

EPA296 in the Wiso Basin is emerging from moratorium.

DIRECTORS' REPORT

31 December 2016

Operating and Financial Review

Risks

Central was admitted to the ASX in 2006 and since that time has been exploring for and more recently producing oil and gas from onshore central Australia.

By its nature, exploration is an extremely high risk business. Most exploration activity, in particular seismic and drilling, is conducted in joint venture, thus enabling the joint venture participants to spread that risk, and reward.

The risks include, but are not limited to, land access risk, geological risk, drilling operations risk, safety and environment. In addition, as with most businesses there is also market risk, product pricing risks and foreign exchange risk. Exploration is typically funded with risk capital. Debt capital is normally only available for development activities such as facility and pipeline construction.

Over the past few years, Central has substantially increased operating activities, notably in the production and sale of oil and gas. Central's operations have a significantly different risk profile compared to exploration. Central's key operating risks include changes in operating costs, changes in interest rates, changes in capital maintenance and replacement costs, plant availability and sub-surface extraction. In addition, Central is exposed to changes in $A commodity prices with respect to crude oil sales which are benchmarked against $US international markets. The majority of Central's revenues, however, are generated by gas sales which effectively mitigates $A commodity price risk through the use of long-term, $A fixed price gas sales agreements with credit worthy customers.

Business Strategy

Whilst Central has historically been a pure oil and gas exploration company, over the past 3 years Central has developed and successfully pursued a strategy to gain critical mass in conventional gas production, including contracted gas sales and uncontracted gas reserves. This strategy first crystallised through the acquisition of the Palm Valley and Dingo gas fields from Magellan in April 2014, marking Central's entry into commercial gas production.

Central's business strategy was bolstered significantly on 1 September 2015 when Central completed the acquisition of 50 percent of the Mereenie oil and gas field from Santos and became Operator for the Joint Venture. These acquisitions are consistent with Central's business strategy to become a substantive domestic gas producer. Currently Central has approximately 11 TJ/d contracted sales equity accounted and uncontracted gas reserves available for sale from proven fields.

With Mereenie, Palm Valley and Dingo fields under our common Operatorship, Central is now in a unique position to sell gas through the Northern Gas Pipeline ("NGP") connecting the Northern Territory to the eastern seaboard. This project is driven by clear fundamentals of a domestic gas shortfall on the East Coast and underexplored on-shore gas potential in the Northern Territory. In linking supply and demand, Central's sound business strategy of acquiring gas assets and uncontracted reserves in advance of the NGP has positioned it to be a direct and substantive beneficiary. In addition, there is significant focus on pipelines to ensure the gas market is functioning in a fair and efficient manner. Central could be a beneficiary of any pipeline tariff reform, particularly with respect of back-haul pipeline tariff pricing.

Whilst the implementation of Central's Business Strategy has been relatively swift, the downturn in oil prices since its peak in 2014 has served to justify our transition into gas starting 3 years ago. The acquisition of Palm Valley, Dingo and Mereenie have all been based on existing gas contracts which are structured as long-term fixed price, CPI escalation. This provides a solid revenue stream going forward to cover Central's operating activities and debt financing arrangements secured on long term gas contracts that are not affected by oil price or currency movements and therefore largely unaffected by turmoil in international oil or LNG markets.

Creating a market for our gas should materially re-rate our significant under explored permits throughout the Amadeus, Pedirka and Wiso Basins in Central Australia. Going forward, new gas sales will allow Central to generate critical free cash flow after debt service which can then be applied towards high growth and value adding activities, notably initially targeting growing high value conventional gas reserves throughout our various exploration permits.

DIRECTORS' REPORT

31 December 2016

Operating and Financial Review (*continued*)

Business Strategy (continued)

All markets go in cycles and we are assuming that the domestic gas market will re-balance in the next 5 to 7 years. It is a clear priority for the Company therefore to try to maximise the reserves it has available for sale by the third quarter of next year, the time at which the NGP is scheduled to be operational. To meet this priority the Company would need to expend at risk capital (which it presently does not have) aimed at increasing reserves available for sale. Given that it is important that any sales to the eastern seaboard domestic market can take advantage of the new pipeline tariff structure that should govern after the second Vertigan report is presented to COAG in May 2017, the majority of this capital will need to come from equity.

Key Financial and Operating Data (Segment Reporting)

Central derives its revenues and profits from its producing assets segment; specifically the production and sales of natural gas from Palm Valley and Dingo, and natural gas and crude oil from Mereenie (since 1 September 2015).

Central continues to explore for hydrocarbons which are reported in the exploration segment.

The Group recorded $12.6 million of operating revenue for the period compared to $12.3 for the previous corresponding period and a gross profit of $4.7 million for the half-year ended December 2016, compared to a gross profit of $5.4 million for the previous corresponding period. The 2015 revenue and gross profit included non-recurring revenue of $1.2 million related to field optionality payments received from customers. This was partly offset by a full year's contribution from the Mereenie field and higher crude oil prices. The result does not include amounts from take or pay gas contracts until the gas is taken or forfeited by the customer.

A summary of consolidated revenues and results for the half-year by segment is set out below:

	Segment Revenues		Segment EBITDAX[1]		Segment Results	
Financial Data	31 Dec 16 $	31 Dec 15 $	31 Dec 16 $	31 Dec 15 $	31 Dec 16 $	31 Dec 15 $
Producing Assets	12,639,411	12,292,377	4,804,312	5,373,556	(2,720,107)	(3,134,578)
Development Assets	-	-	-	-	-	-
Exploration Assets	-	-	279,816	(17,642)	(178.,381)	(606,200)
Unallocated Items	-	-	(2,863,112)	(3,967,336)	(3,247,975)	(4,310,254)
Total Group	12,639,411	12,292,377	2,221,016	1,388,578	6,146,463	(8,051,032)

Sales Data[2]	31 Dec 16	31 Dec 15
Gas Sales (GJs)		
Dingo Gas Field	421,387	26,229
Mereenie Gas Field	1,215,457	718,664
Palm Valley Gas Field	52,493	907,650
Total Gas Sales (GJs)	**1,689,337**	**1,652,543**
Oil Sales (Bbls)		
Mereenie Oil	56,663	37,186
Surprise Oil Field	-	3,305
Total Oil Sales (bbls)	**56,663**	**40,491**

[1] *Earnings before Interest, tax, depreciation, amortisation, impairment and exploration expense*

[2] *Sales volumes include gas physically supplied or forfeited under take or pay contracts. The volumes do not include quantities able to be invoiced under take or pay contracts where a future right to take gas still exists.*

DIRECTORS' REPORT

31 December 2016

Operating and Financial Review (*continued*)

Segment Results

Segment EBITDAX are earnings before interest, tax depreciation, amortisation, impairment and exploration. EBITDAX is used by management as an indicative measure of underlying cash profit from operations as it excludes non-cash items and the costs of finance. It should be noted however that share based payments (2016: $1,138,885; 2015: $1,247,729) are not excluded from the unallocated items in the tables above but are also non-cash items.

Segment results are earnings after tax, which is the measure of segment result that is reported to the executive management team to assess the performance of the operating segments against total reported accounting profit.

EBITDAX increased by 59.9% from $1,388,578 for the previous corresponding period to $2,221,016 for the current period, reflecting a full 6 months of Mereenie production. EBITDAX from the Producing Assets segment decreased from $5.4 million to $4.8 million, period on period. Excluding one off non-recurring items the underlying prior period result would reduce to $4.2 million. The Group maintained its focus on responsible cost management during the period reflected in lower G&A and employee costs compared to the previous corresponding period which did not include a full six months of operating the Mereenie field.

Realised average oil prices increased from $48 per barrel in the six months to December 2015 to $68 per barrel for the current interim reporting period, reflecting the increase in world crude oil prices.

Other

The Group received a $0.6 million Research & Development refund during the current half year and also recorded a $0.3 million gain from the disposal of interests in exploration tenements and application areas.

Events since the end of the Half Year

On 22 February 2017 and pursuant to the relevant clauses of the Southern Georgina Basin Farmout Agreement, Total GLNG Australia ("Total") gave notice of its election not to commence Stage 2 Farmin of the Queensland Permits.

Accordingly, in accordance with the terms of the Farmout Agreement, Total is deemed to have withdrawn from the Farmout Agreement and the Joint Operating Agreement in respect of the Queensland Permits and EPA132 in the Northern Territory.

No other matter or circumstance has arisen that will affect the Group's operations, results or state of affairs.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

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

Richard Cottee
Managing Director

8 March 2017

DIRECTORS' REPORT

31 December 2016

Notice and General Legal Disclaimer

To the maximum extent permitted by law:

1. This document does not constitute an offer to sell, or the solicitation of an offer to buy, securities in Central Petroleum Ltd ("Company").

2. This document is not intended for prospective investors and does not purport to provide all of the information an interested party may require in order to investigate the affairs of the Company. This document does not attempt to produce profit forecasts for the Company and should not be relied upon as a forecast or as a basis for investment in the Company. The conclusions reached in this document are based on market conditions at the time of writing and as such should not be relied upon as a guide to future developments.

3. The information, data and advice herein is provided to recipients on the clear understanding that neither the Company nor any of its representatives, directors, officers, employees, agents or advisers ("Company Personnel") makes any representation or warranty about its accuracy, reliability, completeness or suitability for any particular purpose and does not accept liability (including, but not limited to, for any expenses, losses, damages and/or costs (including, but not limited to, indirect or consequential damage)) nor take any responsibility of any kind whatsoever (including, but not limited to, whether in contract, tort, financial or otherwise) for the information, data or advice contained or for any omission or for any other information, statement or representation provided to any recipient (including, but not limited to, as a result of information, data or advice being inaccurate, unreliable, incomplete or unsuitable in any way and for any reason whatsoever). Recipients of this document must conduct their own investigation and analysis regarding any information, statement or representation contained or provided to any recipient or its associates by the Company or any of the Company Personnel. Each recipient waives any right of action, which it has now or in the future against the Company or any of the Company Personnel in respect of any errors or omissions in or from this document, however caused. Potential recoverable petroleum numbers are estimates only until the prospects are evaluated further by drilling and/or seismic and are unrisked deterministically derived (unless stated otherwise). The data and information herein are subject to change.

4. This document is the property of the Company. The recipient of this document should take appropriate legal advice as to whether such receipt contravenes any relevant jurisdiction's financial or corporate regulatory regimes, and, if so, immediately destroy this material or return it to the sender.

5. Activities which may be referred to in this document are subject to several contingencies inclusive of force majeure, access, funding, third party approvals, appropriate crew and equipment and may not have been approved by relevant Joint Venture partners in whole or in part and accordingly constitute a proposal only unless and until approved.

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

7. The views and opinions expressed in this document and reserves and contingent resources numbers, unless otherwise qualified, do not necessarily reflect the views of existing joint venture partners.

8. No right of the Company or its subsidiaries shall be waived arising out of this document. All rights are reserved.

9. If the whole or any part of a provision of this "Notice and General Legal Disclaimer" is invalid, illegal or unenforceable, then such provision will be severed and neither that part or provision or its severance will affect the validity or enforceability of the remaining parts or provisions.

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Auditor's Independence Declaration

As lead auditor for the review of Central Petroleum Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

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

Michael Shewan
Partner
PricewaterhouseCoopers

Brisbane
8 March 2017

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2016

	Notes	**2016** **$**	2015 $
Operating revenue		12,639,411	12,292,377
Cost of sales		(7,899,120)	(6,918,821)
Gross profit		4,740,291	5,373,556
Other income	5	1,021,112	94,162
Share based employment benefits		(1,138,885)	(1,247,729)
General and administrative expenses		(257,662)	(651,305)
Depreciation and amortisation		(3,849,344)	(3,927,202)
Employee benefits and associated costs		(2,143,840)	(2,180,106)
Exploration expenditure		(576,568)	(1,231,205)
Finance costs		(3,941,567)	(4,244,158)
Impairment expense	4	-	(37,045)
Loss before income tax	4	(6,146,463)	(8,051,032)
Income tax credit		-	-
Loss for the half-year		(6,146,463)	(8,051,032)
Other comprehensive loss for the half-year, net of tax		-	-
Total comprehensive loss for the half-year		(6,146,463)	(8,051,032)
Total comprehensive loss attributable to members of the parent entity		(6,146,463)	(8,051,032)
Earnings per share			
Basic and diluted loss per share (cents)		(1.42)	(2.10)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Notes	31 Dec 2016 $	30 Jun 2016 $
ASSETS			
Current assets			
Cash and cash equivalents	6	5,940,721	15,115,699
Trade and other receivables		9,460,757	3,787,278
Inventories		3,644,636	3,592,561
Total current assets		19,046,114	22,495,538
Non-current assets			
Property, plant and equipment	7	109,222,171	113,783,254
Exploration assets		8,898,767	8,898,767
Intangible assets		60,581	82,393
Other financial assets		2,264,092	2,208,624
Goodwill		3,906,270	3,906,270
Total non-current assets		124,351,881	128,879,308
Total assets		**143,397,995**	**151,374,846**
LIABILITIES			
Current liabilities			
Trade and other payables		2,260,303	6,896,389
Deferred revenue		2,714,334	2,714,334
Interest-bearing liabilities	8	3,956,188	3,784,194
Other financial liabilities	10	38,600	–
Provisions	9	3,914,074	3,766,713
Total current liabilities		12,883,499	17,161,630
Non-current liabilities			
Trade and other payables		2,548,209	2,621,694
Deferred revenue		5,213,335	1,253,074
Interest-bearing liabilities	8	80,125,441	81,916,860
Other financial liabilities	10	12,156,831	11,765,271
Provisions	9	18,960,648	20,138,707
Total non-current liabilities		119,004,464	117,695,606
Total liabilities		**131,887,963**	**134,857,236**
Net assets		**11,510,032**	**16,517,610**
EQUITY			
Contributed equity	11	172,301,532	172,301,532
Reserves	11	20,729,316	19,590,431
Accumulated losses		(181,520,816)	(175,374,353)
Total equity		**11,510,032**	**16,517,610**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2016

		Attributable to owners of Central Petroleum Limited			
	Notes	**Contributed Equity**	**Option Reserve**	**Accumulated Losses**	**Total**
		$	**$**	**$**	**$**
Balance at 1 July 2015		**160,785,182**	**16,695,379**	**(154,334,061)**	**23,146,500**
Loss for the half-year		-	-	(8,051,032)	(8,051,032)
Other comprehensive income		-	-	-	**-**
Total comprehensive loss for the half-year		-	-	(8,051,032)	(8,051,032)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs		-	-	-	-
Share based payments		-	1,247,729	-	1,247,729
Share and option issue		12,250,990	659,508	-	12,910,498
Share issue costs		(727,994)	-	-	(727,994)
		11,522,996	1,907,237	-	13,430,233
Balance at 31 December 2015		**172,308,178**	**18,602,616**	**(162,385,093)**	**28,525,701**
Balance at 1 July 2016		**172,301,532**	**19,590,431**	**(175,374,353)**	**16,517,610**
Loss for the half-year		-	-	(6,146,463)	(6,146,463)
Other comprehensive income		-	-	-	**-**
Total comprehensive loss for the half-year		-	-	181,520,816	(6,146,463)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs		-	-	-	-
Share based payments		-	1,138,885	-	1,138,885
Share and option issue		-	-	-	-
Share issue costs		-	-	-	-
			1,138,885	-	1,138,885
Balance at 31 December 2016		**172,301,532**	**20,729,316**	**(181,520,816)**	**11,510,032**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2016

	2016 **$**	2015 $
Cash flows from operating activities		
Receipts from customers	10,783,302	11,207,672
Interest received	93,650	73,667
Other income received	27,559	-
Interest and borrowing costs	(3,228,905)	(3,804,636)
Proceeds from research and development refund	634,167	4,072,557
Payments to suppliers and employees (inclusive of GST)	(11,060,738)	(14,351,840)
Lease incentive received	193,000	-
Net cash (outflow)/inflow from operating activities	(2,557,965)	(2,802,580)
Cash flows from investing activities		
Payments for interest in Mereenie assets	(3,342,446)	(35,397,996)
Payments for property, plant and equipment	(926,778)	(1,257,495)
Payment for interest bearing security bonds	(270,237)	(17,161)
Redemption of interest bearing security bonds	170,170	-
Proceeds from the sale of interests in exploration permits	80,000	-
Proceeds from the sale of property	-	354,305
Deposits received for sale of exploration permits	-	200,000
Net cash outflow from investing activities	(4,289,291)	(36,118,347)
Cash flow from financing activities		
Proceeds from contributed equity	-	12,250,990
Proceeds from borrowings	-	41,300,000
Repayment of borrowings	(2,327,722)	(1,294,372)
Payments for capital raising costs	-	(595,083)
Net cash inflow from financing activities	(2,327,722)	51,661,535
Net increase/(decrease) in cash and cash equivalents	**(9,174,978)**	**12,740,608**
Cash and cash equivalents at the beginning of the half-year	**15,115,699**	**3,516,139**
Cash and cash equivalents at the end of the half-year	**5,940,721**	**16,256,747**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

1. Basis of Preparation of Half-Year Report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001 (Cth)*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Central Petroleum Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

(a) Going Concern

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

During the period ended 31 December 2016, Central Petroleum Limited ("Central") incurred a Loss of $6,146,463 (2015: Loss of $8,051,032) and had a cash outflow from operating activities of $2,557,965 (2015: $2,802,580).

The Directors continually monitor the Group's operations and asset portfolio and regularly review the cash flows requirements, budgets and forecasts, to ensure that it has sufficient funds to meet its contractual commitments.

In order to maintain sustained cash flows over the longer term, the primary focus for the Company is to secure new Gas Sales Agreements ("GSA") in either the Northern Territory or east coast via the Northern Gas Pipeline ("NGP"), which is due for completion in 2018.

Based on the cash assets at 31 December 2016, take and/or pay funds received in January 2017 amounting to $4,871,693 and receipts from ongoing take or pay gas sales contracts, the Directors believe that the Group will, over the next twelve months, have sufficient funds to pay its debts as and when they fall due and payable and, accordingly, have prepared the Financial Statements on a going concern basis.

(b) New and Amended Standards Adopted by the Group

In the current period, the Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for reporting periods beginning on or after 1 July 2016. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies.

(c) Impact of Standards Issued but not yet applied by the Entity

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. The Group has concluded these standards and interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(i) AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The new standard is mandatory for financial years commencing on or after 1 January 2018.

Management is yet to undertake a detailed assessment of the effects of applying the new standards on the group's financial statements. The group will make more detailed assessments of the impact over the next twelve months. The group does not expect to early adopt the new standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

1. Basis of Preparation of Half-Year Report (*continued*)

(c) Impact of Standards Issued but not yet applied by the Entity (*continued*)

(ii) AASB 9 Financial Instruments

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model. The standard is not applicable until 1 January 2018 but is available for early adoption.

Whilst the group has not yet undertaken a detailed assessment of the changes it does not currently expect any impact from the new classification, measurement and derecognition rules on the group's financial assets and financial liabilities.

It is expected 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 at fair value through profit or loss and the group does not have such liabilities.

The Group does not currently enter into any hedge transactions and will not be affected by the new rules. The new impairment model is an expected credit loss (ECL) model which is not expected to have any impact on the group.

(iii) AASB 16 Leases

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the group's operating leases. The group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The standard is mandatory for annual reporting periods beginning on or after 1 January 2019. At this stage, the group does not intend to early adopt the standard.

(d) Joint Arrangements

The Group's investments in joint arrangements are classified as either joint operations or joint ventures; depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

The Group's exploration and production activities are conducted through joint arrangements governed by joint operating agreements or similar contractual relationships.

A joint operation involves the joint control, and often the joint ownership, of one or more assets contributed to, or acquired for the purpose of, the joint operation and dedicated to the purposes of the joint operation. The assets are used to obtain benefits for the parties to the joint operation. Each party may take a share of the output from the assets and each bears an agreed share of expenses incurred. Each party has control over its share of future economic benefits through its share of the joint operation. The interests of the Group in joint operations are brought to account by recognising in the financial statements the Group's share of jointly controlled assets, share of expenses and liabilities incurred, and the income from the sale or use of its share of the production of the joint operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

2. Significant Changes in the Current Reporting Period

The financial position and performance of the group was particularly affected by the following events and transactions during the half-year ended 31 December 2016:

- A final payment of $3.3M was made to Santos in respect of the acquisition of the group's 50% interest in the Mereenie oil and gas assets.
- The group received a Research & Development tax refund of $0.6M.
- The Company received an unsolicited, indicative and non-binding proposal from Macquarie Group Limited on 10 November 2016 to acquire 100% of the issued capital of the Company by way of a scheme of arrangement. Refer to the Directors' Report for further information.

For a detailed discussion about the group's performance and financial position please refer to our review of operations on pages 3 to 8.

3. Segment Reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The following operating segments are identified by management based on the nature of the business or venture.

(a) Gas and Oil Producing Assets

The production and sale of natural gas and crude oil.

(b) Development Assets

The development of oil and gas fields.

(c) Exploration Assets

The exploration and evaluation of permit areas.

(d) Unallocated Items

Unallocated items comprise non-segmental items of revenue and expenses and associated assets and liabilities not allocated to operating segments as they are not considered part of the core operations of any segment.

(e) Performance Monitoring and Evaluation

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Financing requirements, finance income, finance costs and taxes are managed at a Group level. The consolidated entity's operations are wholly in one geographical location being Australia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

3. Segment Reporting (*continued*)

(e) Performance Monitoring and Evaluation (*continued*)

	Producing Assets 31 Dec 2016 $	Exploration Assets 31 Dec 2016 $	Unallocated Items 31 Dec 2016 $	Consolidated 31 Dec 2016 $
Revenue	12,639,411	-	-	12,639,411
Cost of sales	(7,899,120)	-	-	(7,899,120)
Gross profit	**4,740,291**	**-**	**-**	**4,740,291**
Other income	64,021	280,451	676,640	1,021,112
Share based employment benefits[1]	-	-	(1,138,885)	(1,138,885)
General and administrative expenses	-	(635)	(257,027)	(257,662)
Employee benefits and associated costs	-	-	(2,143,840)	(2,143,840)
EBITDAX[2]	**4,804,312**	**279,816**	**(2,863,112)**	**2,221,016**
Depreciation and amortisation	(3,725,196)	(6,066)	(118,082)	(3,849,344)
Exploration expenditure	(137,727)	(438,841)	-	(576,568)
Finance costs	(3,661,496)	(13,290)	(266,781)	(3,941,567)
Profit/(loss) before income tax	**(2,720,107)**	**(178,381)**	**(3,247,975)**	**(6,146,463)**
Taxes	-	-	-	-
Profit / (Loss) for the period	**(2,720,107)**	**(178,381)**	**(3,247,975)**	**(6,146,463)**

[1] Share based employment benefits are a non-cash item.
[2] EBITDAX is Earnings before Interest, Taxation, Depreciation and Amortisation, Impairment and Exploration expense.

	Producing Assets 31 Dec 2015 $	Exploration Assets 31 Dec 2015 $	Unallocated Items 31 Dec 2015 $	Consolidated 31 Dec 2015 $
Revenue	12,292,377	-	-	12,292,377
Cost of sales	(6,918,821)	-	-	(6,918,821)
Gross profit	**5,373,556**	**-**	**-**	**5,373,556**
Other income	-	-	94,162	94,162
Share based employment benefits[1]	-	-	(1,247,729)	(1,247,729)
General and administrative expenses	-	(17,642)	(633,663)	(651,305)
Employee benefits and associated costs	-	-	(2,180,106)	(2,180,106)
EBITDAX[2]	**5,373,556**	**(17,642)**	**(3,967,336)**	**1,388,578**
Depreciation and amortisation	(3,813,266)	(10,859)	(103,077)	(3,927,202)
Exploration expenditure	(656,440)	(574,765)	-	(1,231,205)
Finance costs	(4,001,383)	(2,934)	(239,841)	(4,244,158)
Impairment expense	(37,045)	-	-	(37,045)
Profit/(loss) before income tax	**(3,134,578)**	**(606,200)**	**(4,310,254)**	**(8,051,032)**
Taxes	-	-	-	-
Profit / (Loss) for the period	**(3,134,578)**	**(606,200)**	**(4,310,254)**	**(8,051,032)**

[1] Share based employment benefits are a non-cash item.
[2] EBITDAX is Earnings before Interest, Taxation, Depreciation and Amortisation, Impairment and Exploration expense

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

3. Segment Reporting (*continued*)

(e) Performance Monitoring and Evaluation (*continued*)

	Producing Assets 31 Dec 2015 $	Exploration Assets 31 Dec 2015 $	Unallocated Items 31 Dec 2015 $	Consolidated 31 Dec 2015 $
Total Segment Assets				
31 December 2016	127,396,989	11,414,674	4,586,332	143,397,995
30 June 2016	129,604,324	11,371,307	10,399,215	151,374,846
Total Segment Liabilities				
31 December 2016	(116,659,666)	(4,033,228)	(11,195,069)	(131,887,963)
30 June 2016	(118,735,778)	(3,625,668)	(12,495,790)	(134,857,236)

Revenue from external customers by geographical location of production:	**31 Dec 2016 $**	31 Dec 2015 $
Australia	12,639,411	12,292,377

Non-current assets by geographical location:	**31 Dec 2016 $**	30 Jun 2016 $
Australia	124,351,881	128,627,177

(f) Major Customers

There are three customers with revenue exceeding 10% of the group's total oil and gas sales revenue.

Revenue from one customer represents $4,584,132 or 36% of the group's total oil and gas revenues (2015: $4,163,432 or 38%). Revenue from the second customer represents $3,609,811 or 29% of the group's total oil and gas revenues (2015: $1,982,917 or 18%). Revenue from the third customer represents $2,858,885 or 23% of the group's total oil and gas revenues (2015: $3,958,497 or 36%).

4. Profit and Loss Information

(a) Significant items

Loss for the half-year includes the following items that are unusual because of their nature, size or incidence:

	31 Dec 2016 $	31 Dec 2015 $
Expenses		
Impairment of Surprise assets and oil related exploration assets	-	37,045

5. Other Income

	31 Dec 2016 $	31 Dec 2015 $
Research and development refund	634,167	-
Profit on disposal of interests in Exploration tenements	280,000	-
Interest revenue	79,386	94,162
Other	27,559	-
	1,021,112	**94,162**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

6. Cash and Cash Equivalents

Cash at bank and on hand comprising:	**31 Dec 2016 $**	30 Jun 2016 $
Corporate (a)	5,717,978	14,439,416
Joint arrangements (b)	222,743	676,283
	5,940,721	**15,115,699**

(a) $1,862,779 of this balance relates to restricted cash held with Macquarie Bank Limited to be used for allowable purposes under the Facility Agreement (30 June 2016: $4,981,343), including, but not limited to, operating costs for the Palm Valley, Dingo and Mereenie fields, taxes, capital expenditure and debt servicing.

(b) This balance related to the Group's share of cash balances held under Joint Venture Arrangements.

7. Property, Plant and Equipment

	Freehold land and buildings $	**Producing assets $**	**Assets in development $**	**Plant and equipment $**	**Restoration asset $**	**Total $**
30 June 2016						
Cost	3,819,403	66,872,949	-	44,130,961	17,796,052	132,619,365
Accumulated depreciation and impairment	(290,229)	(4,132,155)	-	(12,765,378)	(1,648,349)	(18,836,111)
Net book amount	**3,529,174**	**62,740,794**	**-**	**31,365,583**	**16,147,703**	**113,783,254**
31 December 2016						
Opening net book amount	3,529,174	62,740,794	-	31,365,583	16,147,703	113,783,254
Additions	9,260	-	-	645,168	-	654,428
Adjustment to restoration provisions	-	-	-	-	(1,339,863)	(1,339,863)
Disposals and write offs	-	-	-	(38,329)	-	(38,329)
Depreciation charge	(174,369)	(995,018)	-	(2,398,406)	(269,526)	(3,837,319)
Closing net book amount	**3,364,065**	**61,745,776**	**-**	**29,574,016**	**14,538,314**	**109,222,171**
31 December 2016						
Cost	3,828,663	66,872,949	-	44,469,031	16,456,189	131,626,832
Accumulated depreciation and impairment	(464,598)	(5,127,173)	-	(14,895,015)	(1,917,875)	(22,404,661)
Net book amount	**3,364,065**	**61,745,776**	**-**	**29,574,016**	**14,538,314**	**109,222,171**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

8. Interest Bearing Liabilities

		31 Dec 2016 $	30 Jun 2016 $
(a)	Interest bearing liabilities (current)		
	Debt facilities	3,956,188	3,784,194
		3,956,188	**3,784,194**
(b)	Interest bearing liabilities (non-current)[1]		
	Debt facilities	80,125,441	81,916,860
		80,125,441	**81,916,860**

The Macquarie Bank Facility consists of 4 tranches totalling $90 million. Tranches A and C total $20 million and were used for the acquisition of Palm Valley and Dingo gas fields and related assets from Magellan. Tranche B totals $30 million and was used to fund completion of the Dingo gas field, including all acquisition costs and capitalised interest expenses. Tranche D totals $40 million and was used primarily to fund the Mereenie acquisition.

All tranches are structured as 5 year partially amortising term loans with a maturity date of 30 September 2020. The interest costs are based on fixed spreads over the periodic Bank Bill Swap (BBSW) average bid rate. The Group does not have any interest rate hedging arrangements in place. The Group can repay the Facility in part or in whole at any time without a pre-payment penalty.

Under the terms of the Facility, the Group is required to comply with the following three key financial covenants:

1. The Group current ratio is at least 1:1, excluding amounts payable under the Macquarie debt facility.
2. PDP Cover Ratio is greater than 1.3:1. PDP Cover Ratio is defined as the net present value (using a 10% discount rate) of the proved, developed, producing reserves of the Palm Valley, Dingo and Mereenie oil and gas fields.
3. Financial indebtedness to trade creditors over 90 days from due date for payment does not exceed $5 million.

The Group remains compliant with these and all other financial covenants under the facility.

9. Provisions

	31 December 2016			30 June 2016		
	Current	Non-current	Total	Current	Non-current	Total
	$	$	$	$	$	$
Employee entitlements (a)	2,045,567	469,040	2,514,607	2,466,246	394,148	2,860,394
Onerous contracts (b)	237,669	-	237,669	199,076	82,400	281,476
Restoration and rehabilitation (c)	361,688	18,491,608	18,853,296	357,510	19,662,159	20,019,669
Joint Venture production over-lift (d)	1,269,150	-	1,269,150	743,881	-	743,881
Total	**3,914,074**	**18,960,648**	**22,874,722**	**3,766,713**	**20,138,707**	**23,905,420**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

9. Provisions (*continued*)

Movements in Provisions

	Employee Entitlements (a) $	Onerous Contracts (b) $	Restoration and Rehabilitation (c) $	Joint Venture production over-lift (d) $	Total $
Carrying amount at 1 July 2016	2,860,394	281,476	20,019,669	743,881	23,905,420
Charged/(credited) to profit or loss	658,150	85,584	(18,818)	525,269	1,250,185
Changes to restoration assets	-	-	(1,339,863)	-	(1,339,863)
Unwinding of discount	-	-	192,308	-	192,308
Amounts used during the half-year	(1,003,937)	(129,391)	-	-	(1,133,328)
Carrying amount at 31 December 2016	**2,514,607**	**237,669**	**18,853,296**	**1,269,150**	**22,874,722**

(a) *The current provision for employee entitlements includes accrued short term incentive plans, all accrued annual leave and the unconditional entitlements to long service leave where employees have completed the required period of service. The amounts are presented as current, since the Group does not have an unconditional right to defer settlement of 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.*

	31 Dec 2016	30 Jun 2016
Leave obligations expected to be settled after 12 months	595,897	662,419

(b) *The provision for onerous contracts relates to operating lease commitments on the rental of office space at 167 Eagle Street Brisbane expiring June 2017.*

(c) *Provisions for future removal and restoration costs are recognised where there is a present obligation and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas.*

(d) *Under an Interim Gas Balancing Agreement with its joint venture partners, the Consolidated Entity has taken a higher proportion of natural gas produced from the Mereenie joint venture than its joint venture percentage entitlement. A provision has been recognised to reflect the expected additional production costs of rebalancing production entitlements between the joint venture partners from future operations.*

10. Other Financial Liabilities

	31 Dec 2016 $	30 Jun 2016 $
Current		
Lease incentives received	38,600	-
	38,600	-
Non-Current		
Forward gas sales agreements containing a cash settlement option	12,015,298	11,765,271
Lease incentives received	141,533	-
Available to be taken after 12 months	12,156,831	11,765,271
Total Other Financial Liabilities	**12,195,431**	**11,765,271**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

11. Contributed Equity and Reserves

	31 Dec 2016 $	30 Jun 2016 $
Share Capital		
433,197,647 ordinary shares	172,301,532	172,301,532
(30 June 2016: 433,197,647 ordinary shares)		
Reserves		
Share Options Reserve	20,729,316	19,590,431

	Half-Year Ended 31 December	
	2015	**2015**
Movements in Share Capital:		
Balance at start of year	172,301,532	160,785,182
Issues of ordinary shares	-	12,250,990
Transaction costs	-	(727,994)
Balance at the end of the half year	**172,301,532**	**172,308,178**
Movements in Share Options Reserve:		
Balance at start of year	19,590,431	16,695,379
Options issued for financing (net)	-	659,508
Share based payments costs	1,138,885	1,247,729
Balance at the end of the half year	**20,729,316**	**18,602,616**

	2016 No. of securities	2015 No. of securities
Movements in Ordinary Shares on Issue during the half-year:		
Balance at the beginning of the half-year	433,197,647	368,718,957
Issue of ordinary shares	-	64,478,690
Balance at the end of the half-year	**433,197,647**	**433,197,647**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

11. Contributed Equity and Reserves *(continued)*

Options and Rights granted during the period

Date of Issue	Class	Expiry Date	Exercise Price	Number Issued
08-Dec-2016	Unlisted employee share rights(1)	08-Dec-2022	Nil	14,198,406

(1) The number of rights to vest will be determined in accordance with the performance conditions as detailed in the Company's 2014 Long Term Incentive Plan

Options and Rights expired or cancelled during the period

Class	Expiry Date	Exercise Price	Number
Unlisted employee options - expired	20-Jul-2016	$0.550	669,334
Unlisted employee options - expired	19-Aug-2016	$0.575	400,000
Unlisted employee options - expired	30-Aug-2016	$0.575	600,000
Unlisted employee options - expired	15-Nov-2016	$0.475	2,318,668
Unlisted employee options - expired	30-Nov-2016	$0.475	400,000
Unlisted employee options - cancelled	15-Nov-2017	$0.475	900,000

12. Contingencies and Commitments

(a) Exploration Contingencies and Commitments

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

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
Within 1 year	850,000	10,750,000
Later than one year but not later than three years	17,560,000	4,160,000
Later than three years but not later than five years	4,750,000	12,750,000
Total	**23,160,000**	**27,660,000**

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

(b) Operating Lease Commitments

The Group has certain non-cancellable operating leases including office premises in Brisbane which expires in August 2021.

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
Due not later than 1 year	406,205	743,676
Due later than 1 year but less than 5 years	1,438,289	947,465
Total	**1,844,494**	**1,691,141**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

12. Contingencies and Commitments (*continued*)

(c) Contingent Liabilities

(i) The Group had contingent liabilities at 31 December 2016 in respect of certain joint venture payments as outlined in the previous annual financial report.

(ii) Central Petroleum Limited ("Central") has been served with litigation field in the District Court of Harris County, located in Houston, Texas, in respect of a farm-in deal negotiated between the Perth office of Total and Central when it was headquartered in Perth. Central has appealed the Trial Court's finding of jurisdiction to the Texas Court of Appeals. Separately, internal investigations of the merits have concluded that there is no factual basis for the alleged claim and Central accordingly denies any liability. The action will be vigorously defended.

(d) Contingent Assets

The Group had contingent assets at 31 December 2016 in respect of certain joint venture payments as outlined in the previous annual financial report.

13. Post Balance Date Events

On 22 February 2017 and pursuant to the relevant clauses of the Southern Georgina Basin Farmout Agreement, Total GLNG Australia ("Total") gave notice of its election not to commence Stage 2 Farmin of the Queensland Permits.

Accordingly, in accordance with the terms of the Farmout Agreement, Total is deemed to have withdrawn from the Farmout Agreement and the Joint Operating Agreement in respect of the Queensland Permits and EPA132 in the Northern Territory.

There were no other events that occurred subsequent to 31 December 2016 other than noted above or elsewhere in these accounts.

14. Related Party Transactions

There were no related part transactions during the period.

DIRECTORS' DECLARATION

31 December 2016

In the Directors' opinion:

The Financial Statements and notes set out on pages 11 to 25 are in accordance with the Corporations Act 2001, including:

(a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date, and

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

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

Richard I Cottee – Managing Director
Brisbane, Queensland

8 March 2017

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Central Petroleum Limited (the company), which comprises the consolidated balance sheet as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Central Petroleum Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Central Petroleum Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Shewan
Partner

Brisbane
8 March 2017

CORPORATE DIRECTORY

31 December 2016

Directors

Robert Hubbard BA (Hons), FCA, Non-Executive Chairman
Richard I Cottee BA, LLB (Hons), Managing Director and Chief Executive Officer
Wrixon F Gasteen BE (Hons), MBA (Dist), Non-Executive Director
Prof. Peter S Moore BSc (Hons1), MBA, PhD, Non-Executive Director

Company Secretaries

Daniel C M White LLB, BCom, LLM
Joseph P Morfea, FAIM, GAICD, FAIM

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Auditors

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Stock Exchange Listing

Central Petroleum Limited shares are listed on the Australian Securities Exchange under the code CTP.