

CENTRAL PETROLEUM LIMITED
ABN 72 083 254 308

OPERATIONS REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2010

(Revised for the description of results at the Ooraminna-2 and Johnstone West-1 wells)



Surprise -1 rig on location in EP115 Northern Territory

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REVIEW OF OPERATIONS

Corporate Objectives

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

At the time of completion of this report, the Company had attained a significant milestone in its corporate objectives by the discovery of significant oil shows in the Johnstone West-1 well within EP 115 in the north western Amadeus Basin. Although the well failed to flow to surface on test, these oil shows have pushed the most westerly occurrence of oil within the Amadeus Basin much further west than any other occurrence of oil. The discovery of a "live" petroleum system this far west has potentially opened up a new petroleum exploration province. This development together with gas described at Ooraminna-2 in the Amadeus Basin and the significant coal intersections recorded in the Pedirka Basin has underscored the credibility of the Company's original philosophy of putting together large areas of prospective ground in a counter-cyclical acquisition strategy.

Subject to discovery success, within the constraints of current and potential future Joint Ventures, and access to relevant acreage, the Company plans to prioritise oil exploration and to potentially capitalise on early cash flow from any oil discoveries initially via trucking to port facilities at either of Port Darwin or Port Bonython. Early cash flow may also be possible from helium and "mini" LNG production and sales and this is regarded as an intrinsic part of the Company's overall strategy for relatively short term cash flow. In the longer term the Company is seeking to build gas resources to a threshold point where value-adding processes such as LNG and/or GTL for example can be brought into play. Apart from conventional oil and gas reservoir potential, the Company has independent estimates coupled with in-house estimates of significant potential but undiscovered gas and oil initially in place (UGIIP and UOIIP "high" estimate in accordance with the Society of Petroleum Engineers definitions) of over 5 billion barrels of oil and 100 trillion cubic feet of gas in unconventional reservoirs such as shale gas, shale oil and underground coal gasification (UCG). Although results obtained from exploration for coal seam gas (CSG) have been disappointing, a significant addition to exploration potential was highlighted in early 2009 via an independent report citing a range of 690 ("low") to 865 ("high") billion tonnes of coal as a JORC "Exploration Target". Although the potential quantity and grade of the coal is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. The additional seismic almost completed during the quarter in the Pedirka Basin and the results of the 5 well CSG programme carried out during 2009 and 2010 have not been factored in as yet. The coal described represents potentially a major source of energy for many years if a way can be found to exploit it successfully.

As a result of the negotiated withdrawal of the BG Group (Australia) (via its wholly owned subsidiary Petroleum Exploration Australia Limited (PXA)) and Red Sky Energy (NT) Pty Ltd (ROGNT), the Company now retains 100% of all permits and applications other than EPA 130, EP 97, EP 115 and the Mt Kitty and Magee prospect blocks within EP 125 and EP 82 respectively.

The Company is seeking potential joint venture participants with the financial capacity and the will to explore the vast prospective acreage at its disposal.

On 27 September 2010 the Company announced a successful share placement raising approximately \$6.45 million (before costs). The placement, together with a Share Purchase Plan which remains underwritten to the level of \$12.9 million (before costs) is managed by Patersons Securities Limited.

The Company started the Quarter with \$37.5 million in cash and cash equivalents and at 30 September 2010 held \$30.2 million, both amounts inclusive of its share of the Company's portion of cash held in Joint Venture bank accounts. Since the end of the Quarter the various joint ventures have continued with their drilling and seismic programmes.

Exploration, Joint Venture Activities and Highlights for the Quarter

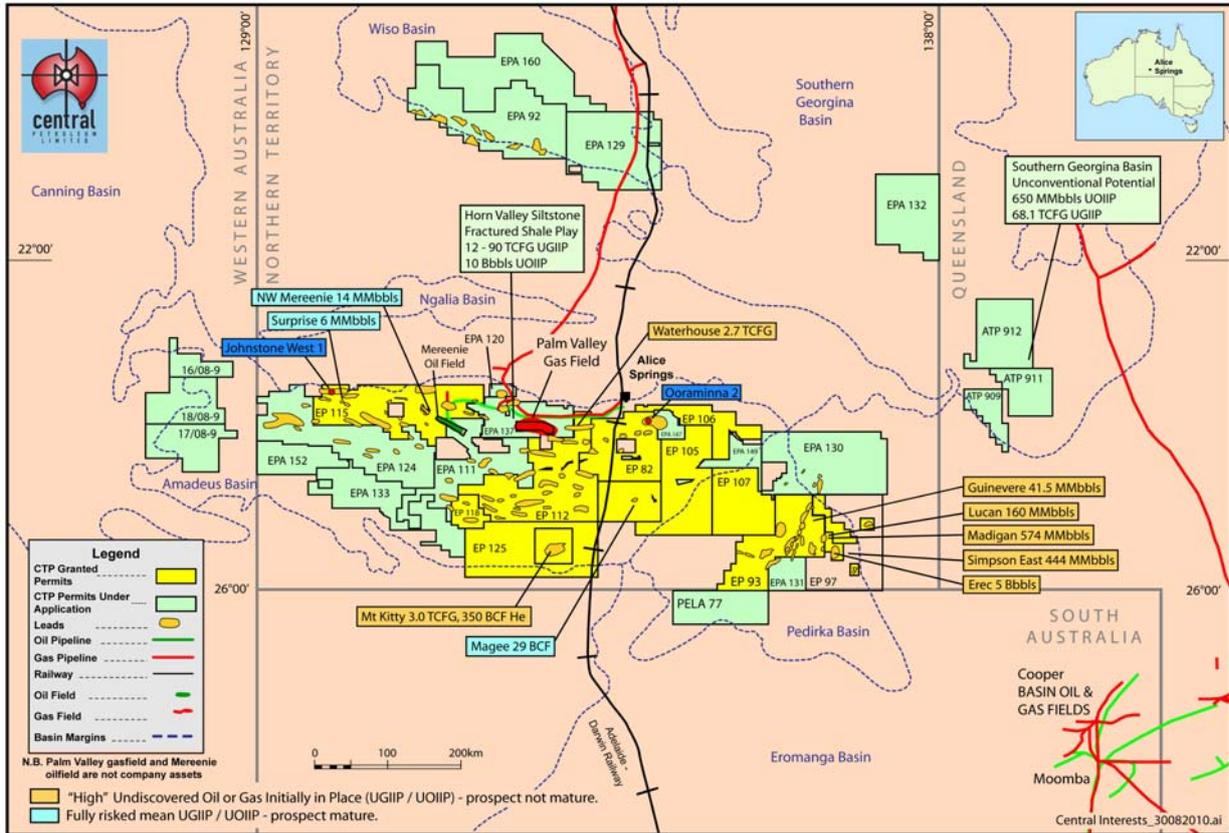
The logistics of petroleum exploration in central Australia has proved difficult during the quarter, and indeed throughout the year, due to unseasonal rainfall resulting in widespread flooding and difficult ground conditions preventing access and severely restricting ground vehicle movements over widespread areas of central Australia.

Phase One 2009/2010 Seismic

A major 2D seismic regional and prospect oriented acquisition programme of approximately 1,300 km was completed during the quarter, but for uphole (weathered surface layers) surveys which remain a work in progress. Results have been very successful with many new leads being developed for oil, gas, condensate and helium and

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some spectacular potential salt related structures being revealed. A number of established leads, particularly for oil, are anticipated to be matured into drillable prospects as soon as all the data has been processed, mapped and analysed.



Petroleum Licence Interests of Central Petroleum Limited

Phase Two 2010 Programme

Despite problems with Joint Venture participants PXA and ROGNT, Central Petroleum as Operator pressed ahead with the drilling of Ooraminna-2 and Johnstone West-1 to ensure the continued good standing of the permits.

Ooraminna-2 (EP 82)

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

The Ooraminna-2 well reached a true vertical depth (TVD) of 1,622 m and the MB Century Rig 7 was released on 7 August 2010 to be deployed at the Johnstone West-1 drilling location in EP 115. The drilling of Ooraminna-2 was a "technical success" with a stabilised gas flow to surface of 152,000 cubic feet of gas per day from a tight gas column still under evaluation from a similar zone to the gas zone in Ooraminna-1.

The total area of the prospect structure may be over 1,000km² extending in to the contiguous permit application EPA 147 and the Company believes it may have potential for additional exploration and development, possibly employing horizontal drilling and/or fracking techniques. It is possible that there is potential for free flowing gas without well stimulation from other parts of the prospect remaining virtually unexplored to date. The granting of EPA 147 has been initially refused by the Central Land Council but the Company is hopeful of re-commencing negotiations within the moratorium period.

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Johnstone West -1 (EP 115)

The Johnstone West-1 well was spudded on 19 August 2010 with a planned total depth (TD) of 1,367 m in the Goyder Formation. The well reached a TD of 1,666 m in the lower Pacoota Sandstone and following flow testing the MB Century Rig 7 was released on 5 October 2010. There were multiple oil targets as well as shale oil/gas targets. The well penetrated a total interval of 128m where several hydrocarbon shows were recorded. Prior to flow testing, electric log analysis and drilled cuttings analysis on site showed an approximate net "pay" zone of 15m from 1,470m to 1,485m which was thought likely to flow to surface. Excellent oil shows with evidence of good porosity, live visible oil in samples, oil slicks mixed with drilling mud and very high oil saturation in fluoroscopic and visual examination in natural light over this interval were recorded and there were other shows of lesser significance within the hydrocarbon column. The results of flow testing however were profoundly disappointing and not anticipated. The formation fluids did not flow to surface but 18.3 barrels of what was thought to be formation fluid without significant hydrocarbons were recovered from the production tubing.

At the time of completion of this report, the samples obtained are being analysed in an attempt to confirm whether the fluid was in fact formation fluid or perhaps mud filtrate. Following this, further review of the downhole pressure data will be conducted and it is hoped to determine whether there is indeed significant hydrocarbons in the formation which may prove conducive to later stimulated production such as horizontal drilling and/or fracking. It is possible that the formation has been flushed with water driving out most of the otherwise producible hydrocarbons. Further detailed analyses are in hand at the time of completion of this report.

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

Surprise-1 (EP 115)

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

Although the prospect is considerably smaller than the Johnstone West-1 prospect in anticipated area closure, with an estimated "high" UOIP of 50 MMbbls and an estimated mean fully risked UOIP of 6 MMbbls, it is located in what is thought to be in a geologically more favourable location with much shorter postulated migration distances.

The well spudded on 11 October 2010 with a planned TD of 3,016 m which may be extended subject to drilling results.

Magee-2 (EP 82)

This deep test of the Arumbera Sandstone and the Heavitree Formation at the base of the Neo-Proterozoic for gas, condensate and helium was planned to be carried out during the fourth quarter of 2010 but the positive results of the Johnstone West-1 well and the maturity of the Surprise-1 well, a promising oil prospect, resulted in a decision to postpone the drilling of Magee-2 until a later drilling campaign. Helium Australia Pty Ltd, a wholly owned subsidiary of the Company is in joint venture with Oil and Gas Exploration Limited (previously He Nuclear Limited) in the Magee Prospect Block within EP 82.

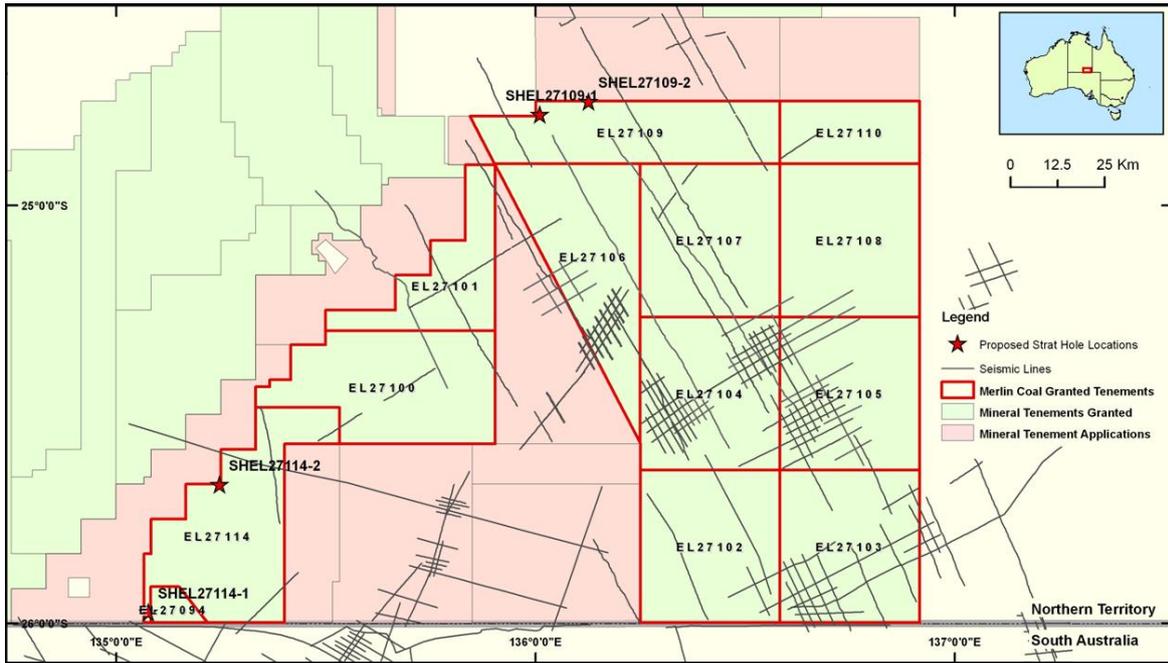
Pedirka Basin Coal

The Company now plans to drill four stratigraphic coal exploration wells in its Mining Act permits in the Pedirka Basin commencing in the fourth quarter of calendar year 2010. These are depicted in the following map. The results of the previous drilling campaign for coal seam gas (CSG) were examined by internationally renowned independents Netherland, Sewell & Associates Incorporated who reported that although there remained some potential for biogenically derived CSG, they saw little chance of there being any thermally derived CSG in the Pedirka Basin.

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

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A second result of the intersection of thicker than anticipated coal sections encountered is that previous JORC “Exploration Target” tonnages will have to be remapped and recalculated possibly with significant gains. The coal, where tested to date, has indicative qualities as follows:

- Specific Energy 5 - 6,000 kcals/kg, or 20 - 25 GJ/tonne
- > 600 Billion tonnes 1-1,000m - UG and open cut potential
- Ash 8-19% (average 11%)
- Moisture (air dried) 8-19% (av. 14%)
- Single seams up to 35m in thickness

This prima facie means that the coal is comparable to many other “steaming” or thermal coals being exported from Queensland and New South Wales.

Merlin Energy Pty Ltd Petroleum Tenements*	Low	High
(wholly owned CTP subsidiary)	Billion tonnes	Billion tonnes
Tonnes coal above 1000m contour	1,110	1,385
Tonnes coal below 1000m contour	690	865
TOTAL	1,800	2,250
Merlin Coal Pty Ltd Mineral Tenements*		
(wholly owned CTP subsidiary)	Billion tonnes	Billion tonnes
Tonnes coal above 1000m contour	635	795
Tonnes coal below 1000m contour	825	1,030
TOTAL	1,460	1,825

* Coal tonnages in a viable JORC “Exploration Target” (AusIMM) – the potential quantity and grade of the coal is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

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There may be several ways to monetise any reserves which, subject to further exploration success, may be demonstrated. The strategies under examination include beneficiation, pelletising and export, mining and surface coal gasification to provide gas for a gas to liquids plant (CTL) or underground coal gasification (UCG) to provide feedstock for a gas to liquids plant ("GTL"). It must be noted that any potential monetisation of coal that may be proven in the Pedirka Basin is necessarily a long term and capital intensive process. Whilst cognizant of the inherent logistical difficulties associated with major coal operations in such a remote area, the Company is equally cognizant of the potentially vast energy reserves that may be proven, subject to exploration success. In the context of an energy hungry world, with the booming economies of countries such as China, India and Korea in relatively close proximity to Australia, the Company is hopeful that in time, ways will be devised to monetise such a vast potential storehouse of energy.

Farm-ins /Farm-outs

Rawson Resources Limited Farmin Agreement

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

Trident Energy Limited Farmin Agreement

As a result of Trident Energy Limited's (TRI) inability to pay certain cash calls to cover its commitments within EP 115 and EPA 111, the Company reached an agreement with TRI during the quarter such that TRI withdrew from the EPA 111 Joint Venture and has until 6 Dec 2010 to pay a outstanding cash calls amounting to \$1.72 million or it shall withdraw entirely from the EP 115 Joint Venture.



John Heugh
Managing Director
29 October 2010

Competent Persons Statement

AI Maynard & Associates

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

Mulready Consulting Services

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

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General Disclaimer

Potential volumetrics of gas or oil may be categorised as Undiscovered Gas or Oil Initially In Place (UGIIP or UOIIP) or Prospective Recoverable Oil or Gas in accordance with AAPG/SPE guidelines. Since oil via Gas to Liquids Processes (GTL) volumetrics may be derived from gas estimates the corresponding categorisation applies.

As new information comes to hand from data processing and new drilling and seismic information, preliminary results may be modified.

"Resources estimates, assessments of exploration results and other opinions expressed by CTP in this announcement or report may not have not been reviewed by relevant Joint Venture partners. Therefore those resource estimates, assessments of exploration results and opinions represent the views of the Company only and not those of its Joint Venture partners. Exploration programmes which may be referred to in this announcement or report may not have been approved by relevant Joint Venture partners in whole or in part and accordingly constitute a proposal only unless and until approved.

NOTICE: The participating interests of the relevant parties in the respective permits and permit applications which may be applicable to this announcement are:

- EP-82 (excluding the Central subsidiary Helium Australia Pty Ltd ("HEA") and Oil and Gas Exploration Ltd ("OGE") Magee Prospect Block) - HEA 100%.
- Magee Prospect Block, portion of EP 82 – HEA 84.66% and OGE 15.34%.
- EP-93, EP-105, EP-106, EP-107, EPA-92, EPA-129, EPA-131, EPA-132, EPA-133, EPA-137, EPA-147, EPA-149, EPA-152, EPA-160, ATP-909, ATP-911, ATP-912 and PELA-77 - Central subsidiary Merlin Energy Pty Ltd 100% ("MEE")..
- The Simpson, Bejah and Dune Prospect Block portions within EP-97 – MEE 80% and Rawson Resources Ltd 20%.
- EP-125 (excluding the Central subsidiary Ordiv Petroleum Pty Ltd ("ORP") and OGE Mt Kitty Prospect Block) and EPA-124 - ORP 100%.
- Mt Kitty Prospect Block, portion of EP 125 - ORP 75.41% and OGE 24.59%.
- EP-112, EP-11, EPA-111 and EPA-120 - Central subsidiary Frontier Oil & Gas Pty Ltd ("FOG") 100%.
- EP-115 FOG 90% and Trident Energy Limited 10%..
- PEPA 18/08-9 PEPA 17/08-9 and PEPA 16/08-9 - Central subsidiary Merlin West Pty Ltd 100%..
- EPA 130 MEE 55% and Great Southern Gas Ltd 45%

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