

ASX ANNOUNCEMENT

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TO: The Manager, Company Announcements ASX Limited

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CENTRAL PREPARES TO FLOW TEST SURPRISE-1 RE-ENTRY H

- **Flow testing planned by Friday 6 January 2012**
- **Approximately 230m of horizontal drilling with continuous oil and gas shows in sandstone completed**
- **Gross Vertical Thickness of continuous oil shows approximately 28m**
- **Continuous oil droplets in drilling fluid with occasional flow ribbons over shale shakers**

Central Petroleum Limited (ASX:CTP) ("Central" or the "Company") advises shareholders that flow testing of the well is planned to commence late this week.

A Measured Depth of approximately 2,854m with a True Vertical Depth of approximately 2,534m has been reached with approximately 230m of horizontal drilling in the target reservoir. Tight hole conditions have developed in the angle build section of the wellbore and consequently further drilling has been discontinued to safeguard the well integrity. It is planned to run a sleeve of 2.875" production tubing through this section to counter sloughing claystones and siltstones of the Middle Stairway Sandstone Member before testing commences. This will prevent any problems during testing and possible subsequent production.

Throughout the horizontal drilling, some dip changes were encountered but the drill bit remained in sandstone with continuous oil shows and during only approximately 10m of horizontal drilling were oil shows rated at less than good to excellent. 100% dull to bright yellow fluorescence and instant blue/white cut fluorescence were commonly recorded.

A drill break was evident at 2,676m Measure Depth. On circulation to the surface, black oil was evident on the shale shakers and a gas peak of 1,167 units was recorded with C1/C2/C3/iC4/nC4/C5 percentages of 2/4/24/12/30/14/14 % respectively. Similar "heavy gas" dominated recordings were evident throughout drilling and circulation averaging in excess of 30-50 units with occasional much higher peaks.

A continuous stream of oil on the surface of the possum belly 2-3cm wide was observed on occasion together with drilling fluid (brine) discoloured pale brown over shakers since the report released on 28 December 2011. Most of the time during drilling and circulation, free oil droplets were observed in the drilling fluid; on occasion covering approximately 60% of the surface of samples taken.



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Continuous oil shows have been recorded over a Gross Vertical Thickness of approximately 28m.



Layer of oil on surface of sump during drilling. This has now been skimmed off and stored in environmentally safe containers for later disposal.



Oil coating 6" drill bit during horizontal drilling operations.

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Further updates will be provided when any significant information becomes available.

Any results or conclusions reported are based on preliminary data analysis and may be subject to change as more data becomes available. Nothing in this report represents or should be construed to represent any conclusions as to the flow capability of the well. Such conclusions must await actual flow testing.

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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 & Gas Exploration Limited ("OGE") (previously He Nuclear Ltd) 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 130, 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, Dune and Pellinor 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-115, EP-118, EPA-111 and EPA-120 - Central subsidiary Frontier Oil & Gas Pty Ltd 100%.
- PEPA 18/08-9, PEPA 17/08-9 and PEPA 16/08-9 - Central subsidiary Merlin West Pty Ltd 100%.

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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. Unless otherwise annotated any potential oil, gas or helium UGIIP or UOIIP figures are at "high" estimate in accordance with the guidelines of the Society of Petroleum Engineers (SPE) as preferred by the ASX Limited but the ASX Limited takes no responsibility for such quoted figures.

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