

CENTRAL PETROLEUM LIMITED

ABN 72 083 254 308

OPERATIONS REPORT FOR THE QUARTER ENDED 31 MARCH 2010



Before the rain

For personal use only



Ooraminna 2 Site Works

REVIEW OF OPERATIONS

Corporate Objectives

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

Within the constraints of current Joint Ventures, the Company plans to potentially capitalise on early cash flow from any oil discoveries but early cash flow may be possible from helium production and sales and this is regarded as an intrinsic part of the Company's overall strategy for relatively short term cash flow.

It was announced by the Company during the quarter of further developments in the various Joint Ventures the Company and its wholly owned subsidiaries are involved in. Three Joint Venture participants, Petroleum Exploration Australia Pty Ltd, ("PXA"), Red Sky Energy (NT) Pty Ltd, ("ROGNT") and He Nuclear Pty Ltd (HEN) have been issued default notices by the Company as Operator and such default notices have not been rectified to the Company's satisfaction as at the end of the quarter. The Company is involved in arbitration and court action concerning these defaults and other matters.

The Company is working assiduously towards productive outcomes in these matters but has adopted the credo of "business as usual" and continued with exploration notwithstanding the background difficulties with some Joint Venture participants.

The substantial cash injections received by the Company during the year ended 30 June 2009 and ongoing drawdowns of the Asia Convertible Bond Opportunities LLC ("ACBO") rolling convertible bond has provided the Group with the resources to enable it to carry out an expanded works program in Central Australia, where the Company has numerous prospective permits. A further capital raising of \$22.7 million fully underwritten by Patersons' Stockbroking was launched during the quarter by the

issue of the relevant prospectus on 17 March 2010 and closed on 22 April 2010 with a 59% uptake by shareholders of the Company. This capital will enable the Company to independently fund:

1. the completion of the Phase One 2009/10 exploration programme of coal seam gas (CSG) drilling and seismic commenced in November 2009 and,
2. embark upon the drilling of the Phase Two 2010 conventional drilling programme consisting of 3 gas, oil and gas/condensate/helium wells respectively with possibly a fourth oil well.

At the time of completion of this report, the Company had advised the ASX of the shortfall of \$9,313,777 (124,183,697 Shares) and was preparing to complete the allocation of Shares to Shareholders, Underwriters and Sub-underwriters to the issue on 3 May, 2010. A total of \$280,238 (3,736,508 Shares) in oversubscriptions in relation to individual Shareholders rights was applied for and issued.

At the start of the quarter, the Company had \$33.16 million in banked funds inclusive of its share of committed funds held in Joint Venture accounts and at the end of the quarter, \$24.97 million in banked funds inclusive of its share of committed funds held in Joint Venture accounts. The various Joint Venture participants other than the Company had not paid a total of \$13.23 million in cash called by the end of the quarter. Since the end of the quarter, the Company as Operator has issued further cash calls totalling \$4.7million to other Joint Venture participants .

Drilling and seismic exploration was severely affected by flooding rains during the quarter with the result that c.\$1 million of standby costs were incurred. The Company at the time of completion of this report anticipated re-commencement of the coal seam gas (CSG) drilling operation by 2 May 2010 and the Company anticipates re-commencing the seismic acquisition programme by 15 May 2010.

Exploration, Joint Venture Activities and Highlights of the Quarter

Phase One 2009/10 Programme

With farm-in participants Petroleum Exploration Australia Limited, Trident Energy Limited, He Nuclear Limited, Red Sky Energy (NT) Pty Ltd and Rawson Resources Limited the Company and its wholly owned subsidiaries commenced a \$32 million Phase One 2009/10 exploration programme consisting in November 2009 of 5 fully cored coal seam gas wells (CSG) wells in the Pedirka Basin, 1,450 line km of 2D seismic over the broad width of the Company's permits and the drilling of Ooraminna 2, a large gas prospect close to Alice Springs which has flowed gas to surface already in a previous well drilled in 1963.

CSG wells CBM93-004, CBM93-003 and CBM 107-001 were completed by 26 February 2010 when the programme was interrupted by rain with the results to date that 144m of coal cumulative total in seams over 1m in thickness with various levels of gas ranging from low to excellent have been described in CBM93-004 and 130 m of coal cumulative total in seams over 1m in thickness in CBM107-001. This latter result was of sufficient significance to cause the previously chosen location for CBM107-002 to be shifted over 20 km updip to test the coals for biogenic gas more than thermogenic gas with coals anticipated at a much shallower depth than those encountered to date.

A second result of the intersection of thicker than anticipated coal sections encountered in CBM 107-001 is that previous exploration target resources will have to be remapped and recalculated possibly with significant gains.

In CBM93-003, although total coal penetrated was unexpectedly only several metres in cumulative thickness, re-interpretation of existing seismic indicates that much thicker sequences of coal may be encountered on the flanks of the structural high that was drilled. A second interesting result was that trace remnant residual oil was encountered in sands of the Permian Purni Formation in the second well, thus underscoring once again the fundamental prospectivity for oil in the Pedirka Basin. Further

studies are in hand on the data obtained in these wells to enhance the understanding of the basin architecture as well as CSG and UCG potential.

At the end of the March 2010 quarter, Terrex Seismic had completed a total of 430km of high quality 2D seismic out of a total Phase One programme of 1,380 km. The acquisition of seismic over the Johnstone, Surprise, Stuart and North West Mereenie oil prospects within EP 115 has been completed as well as the Pararra seismic survey within EP 112 and EP 118 and most of the Magee/Maryvale surveys within the HEN farmout block of EP 82. Preliminary interpretation has indicated robust closure over many of the oil prospects named within EP 115 and the seismic over Pararra and North West Mereenie is still being processed.

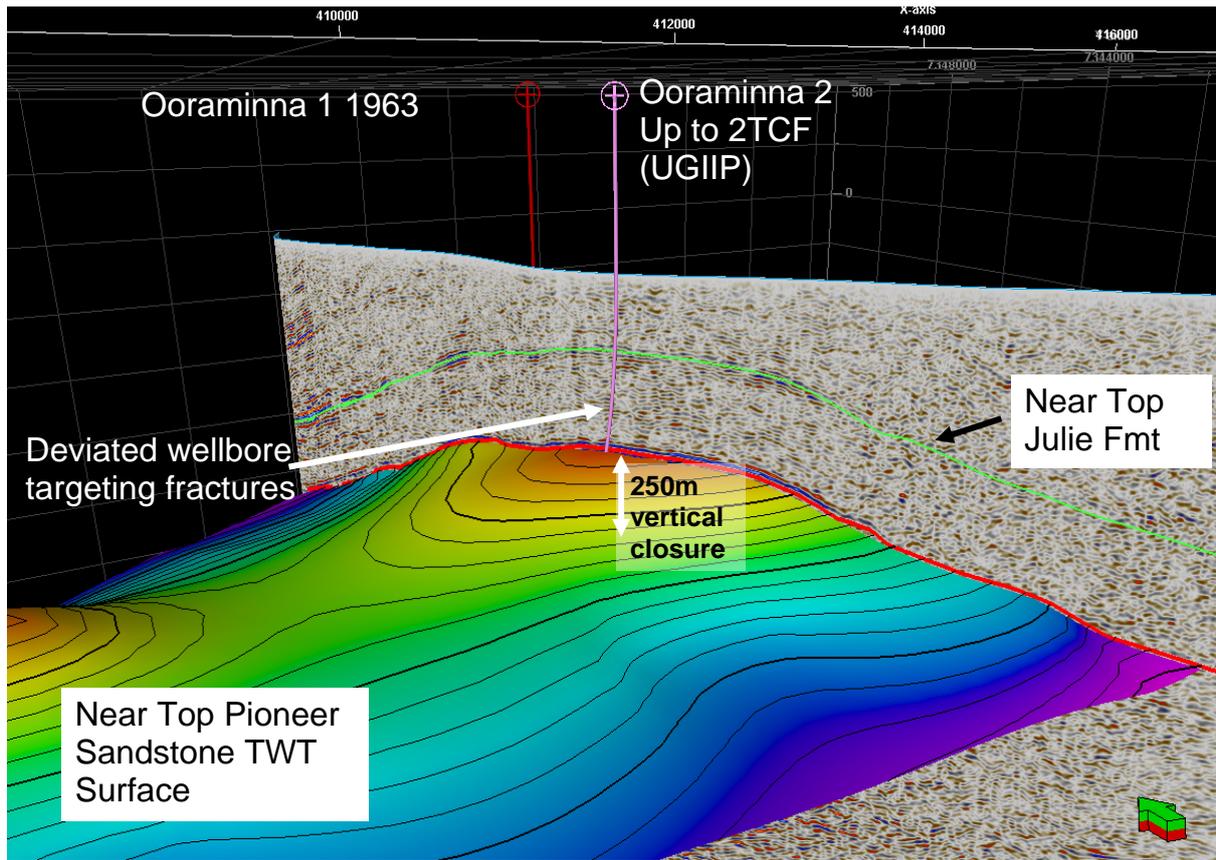
Phase Two 2010 Programme

Due to the Company's obligations to complete the drilling of two Northern Territory Department of Resources (DOR) minimum commitment programme wells, Ooraminna 2 within EP 82 and Johnstone 1 or substitute well within EP 115, it became necessary for the Operator to press ahead with the drilling of these wells as required in the relevant Joint Operating agreements to ensure the continued good standing of the permits. A third well is conditionally planned by the Operator, the Magee 2 well within the HEN Magee farmout block in EP 82 targeting gas, condensate and helium. A fourth 2010 well, targeting an oil prospect within the EP 97 Rawson Resources Limited Simpson prospect block is also conditionally planned.

A contract between Central Petroleum Limited, the Operator and MB Century Rig 7 for the Ooraminna 2 and Johnstone 1 or substitute wells with up to an additional 4 optional wells inclusive of the Magee 2 well is anticipated to be executed imminently. It is conditionally planned to spud Ooraminna 2 in mid May 2010.

EVENT	START	FINISH	TARGET	COMMENT
CBM 107-002	30th April	31st May	Coal Seam Gas UCG potential	Independent estimates of 34-70 Trillion cubic feet CSG, over 1 trillion tonnes coal above 1,000m
CBM 93-002	1st June	1st July	Coal Seam Gas UCG potential	Independent estimates of 34-70 Trillion cubic feet CSG, over 1 trillion tonnes coal above 1,000m
Ooraminna-2	15th May	5th June	2 trillion cubic feet gas UGIIP	Has flowed gas to surface before Ooraminna-1 in 1963, to be drilled with air to maximise potential production
Johnstone-1	15th June	15th July	500 million barrels oil UOIIP	Similar target to Mereenie Oilfield structure
Magee-2	1st August	10th September	800 billion cubic feet gas UGIIP, 15 billion cubic feet helium UGIIP	Magee 1 drilled in 1992 flowed gas to surface with condensate and 6.2% helium, currently sells > USD\$100/1,000 cubic feet
1,380 km seismic	1st January	15th July	Broadacre and prospect specific programme, oil, gas, CSG, UCG, coal, condensate and gas	Interrupted by two bouts of very heavy rain, now c. half completed

Conditional timetable of 2010 exploration



Planned Ooraminna 2 well EP 82

Helium Extraction and Marketing

The Company appointed Dr Michael Clarke of M.E.T.T.S. Pty. Ltd. (Consulting Engineers, Resource & Infrastructure Development), Dr Duncan Seddon and Associates Pty Ltd and Negotiation Pty Ltd to provide a pre-feasibility study of costs, processes and potential markets for helium extracted from relatively low volume gas production from prospects thought to potentially host helium in the Amadeus Basin. The Company is involved in a joint venture in the Mt Kitty and Magee prospect blocks in the southern portion of EP 125 and EP82 respectively and has reason to believe that the area has potential to host volumes of gas, condensate and helium with a concentration of 5% or more. The Magee 1 well, drilled by Pacific Oil and Gas in 1992 flowed such a gas mixture to surface with a helium concentration of 6.2%, unusually high, from the subsalt Heavitree Formation. The Company and its joint venture participant, He Nuclear Limited (HEN), have completed additional seismic over the Magee prospect and other prospects in the area as part of the Phase One 2009/10 exploration programme and, subject to the analysis of this further seismic, plans conditionally on drilling the Magee 2 well in 2010 targeting up to 0.8 TCFG and 15 BCF of helium in Undiscovered Gas Initially In Place.

The main conclusions of the independently based report released to the market on 19 April 2010 were that:

- *“There is a robust international market for helium which sells at bulk wholesale prices for up to AU\$200/thousand cubic feet equivalent (Grade A 99.99% pure, liquid form)*
- *Global average helium prices are expected to rise at 5-6% per annum for the next ten years*
- *Annual demand growth has risen as high as 16% in China in recent years and with no expected domestic commercial production China is likely to remain dependent on imported helium*
- *About one third of the world’s demand for helium recently was supplied from the US Federal Reserve which is expected to only last for a further 10-15 years*

- Estimates of new extraction plants required vary from 11 to 19 by the year 2020 at an estimated 5-6% per annum projected growth in demand
- Asia is the fastest growing helium market in the world with total sales of 1,130 million cubic feet projected for the year 2010, up from 596 million cubic feet in 2005
- Total global demand for helium is in excess of 6,000 million cubic feet per annum
- Demand growth is primarily being driven by the electronics industry (particularly in flat panel display production) while fourth generation gas cooled nuclear plants are projected to add significantly to demand growth (benefitting from helium's ability to contribute to increase electrical efficiency from 30% to 50% as well as safety and environmental considerations).
- The capital expenditure (capex) of a commercial helium extraction plant processing 20 million cubic feet per annum of total gas feedstock, inclusive of owners' costs, royalties, equity finance, commissions, insurance and other costs associated with plant and ancillary equipment would be about AU\$420 million
- The operating expenditure (opex) would vary between AU\$33-38 million per annum
- The gross revenue would vary from AU\$98-\$143 million
- The net present value (NPV) of such a project at an 8% discount rate could range between AU\$111 and AU\$556 million

Considerable savings in capex of up to 30% could be achieved if plant component manufacturers fabricate in Asia. Further savings could be achieved if the plant is replicated and or higher throughputs are achievable."

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.

General Disclaimer

Potential volumetrics of gas or oil may be categorised as Undiscovered Gas or Oil Initially In Place (UGIP or UOIP) 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 have not been reviewed by either Rawson Resources Ltd (RAW), Petroleum Exploration Australia Limited (PXA), QGC, Trident Energy Limited (TRI), He Nuclear Limited (HEN) or Red Sky Energy Limited (ROG). Therefore those resource estimates, assessments of exploration results and opinions represent the views of the Company only and not those of RAW, PXA, QGC, TRI, HEN or ROG. The company, CTP is interested in UCG and/or UCTL applications in its own right, outside of the current Joint Venture with PXA and reference to UCG potential represent the view of the company only and do not reflect the views of PXA, QGC, TRI or ROG. 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 applicable to this announcement are:

- EP-82 (excluding the Central subsidiary Helium Australia Pty Ltd ("HEA") and He Nuclear Ltd ("HEN") Magee Prospect Block) - HEA 70%, Petroleum Exploration Australia Ltd ("PXA") 20% and Red Sky Energy (NT) Pty Ltd ("ROG NT") 10%.
- Magee Prospect Block portion of EP 82 – HEA 84.66% and HEN 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, ATP-909, ATP-911, ATP-912 and PELA-77 - Central subsidiary Merlin Energy Pty Ltd 70% ("MEE"), PXA 20% and ROG NT 10%.
- The Madigan, Bejah and Dune Prospect Block portions within EP-97 – MEE 65%, Rawson Resources Ltd 20% and PXA 15%.
- EP-125 (excluding the Central subsidiary Ordiv Petroleum Pty Ltd ("ORP") and HEN Mt Kitty Prospect Block) and EPA-124 - ORP 70%, PXA 20% and ROG NT 10%.
- Mt Kitty Prospect Block portion of EP 125 - ORP 75.41% and HEN 24.59%.
- EP-112, EP-118 and EPA-120 - Central subsidiary Frontier Oil & Gas Pty Ltd ("FOG") 70%, PXA 20% and ROG NT 10%.
- EP-115 & EPA-111 – FOG 60%, PXA 20%, Trident Energy Limited 10% and ROG NT 10%.
- PEPA 18/08-9 PEPA 17/08-9 and PEPA 16/08-9 - Central subsidiary Merlin West Pty Ltd 70%, PXA 20% and ROG NT 10%.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Central Petroleum Limited

ABN

72 083 254 308

Quarter ended ("Current Quarter")

31 March 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current Quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(8,128)	(11,887)
(b) development	-	-
(c) production	-	-
(d) administration	(971)	(2,643)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	132	616
1.5 Interest and other costs of finance paid	-	(2)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(8,967)	(13,916)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(182)	(325)
1.9 Net Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	175
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – security deposits for restoration obligations	-	(573)
Net investing cash flows	(182)	(723)
1.13 Total operating and investing cash flows (carried forward)	(9,149)	(14,639)

+ See chapter 19 for defined terms.

For personal use only

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(9,149)	(14,639)
Cash flows related to financing activities			
1.14	Proceeds (net) from issues of shares, options, etc.	954	3,674
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	954	3,674
Net increase (decrease) in cash held			
		(8,195)	(10,965)
1.20	Cash at beginning of quarter/year to date	33,161	35,931
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	24,966	24,966

Since the end of the Quarter the Company has raised approximately \$22.7million, before costs, through an underwritten renounceable right issue.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current Quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	141
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors' remuneration

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

For personal use only

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities (Convertible Rolling Bond Facility *)	70,000	-
3.2 Credit standby arrangements	-	-

* Bonds are issued in tranches of \$1,000,000 each. Each tranche must be fully converted into ordinary shares of the Company before subscription and issue of the next tranche can be completed.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	17,400
4.2 Development	-
Total	17,400

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	23,866	31,154
5.2 Deposits at call	1,100	2,007
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	24,966	33,161

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements acquired or increased	NT. EP 125 Mt Kitty Block NT. EP 82 Magee Block	75% 75%	75.41% 84.66%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (Note 3)	Amount paid up per security (see Note3)
7.1 Preference +securities	-	-		
7.2 Changes during Qtr (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	605,422,518	605,422,518		
7.4 Changes during Qtr (a) Increases through issues (b) Increase through exercise of options (b) Decreases through returns of capital, buy-backs	5,739,210 6,250,000	5,739,210 6,250,000	8.712 cents 8 cents	8.712 cents 8 cents
+Convertible debt securities				
7.6 Changes during Qtr (a) Issues (b) Decreases				
7.7 Options (<i>description and conversion factor</i>)	153,506,297 95,947,703	153,506,297 95,947,703	<i>Exercise price</i> \$0.16 \$0.25	<i>Expiry date</i> 31 Mar 2014 30 Jun 2010
	21,250,000	0	\$0.20	31 May 2010
	7,000,000	0	\$0.20	20 Feb 2011
	1,800,000	0	\$0.30	30 Nov 2010
	11,000,000	0	Various	03 Jan 2012
	1,450,000	0	\$0.30	31 Mar 2011
	200,000	0	\$0.33	31 Jul 2011
	500,000	0	\$0.30	31 Aug 2011
	666,666	0	\$0.25	17 Nov 2011
	1,000,000	0	\$0.25	19 Jan 2012
	250,000	0	\$0.25	16 Feb 2012
	200,000	0	\$0.25	23 Feb 2012
	7,500,000	0	Various	31 Mar 2014
	8,366,666	0	\$0.20	31 Mar 2014
7.8 Issued during quarter	0	0		
7.9 Exercised during Quarter	0	0		
7.10 Expired during Qtr	300,000	0	\$0.25	31 Jan 2010
7.11 Debentures (<i>totals only</i>)				
7.12 Unsecured notes (<i>totals only</i>)				

+ See chapter 19 for defined terms.

For personal use only

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

Date: 30 April 2010

(Joint Company Secretary)

Print name:

Bruce Elsholz

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

+ See chapter 19 for defined terms.

For personal use only