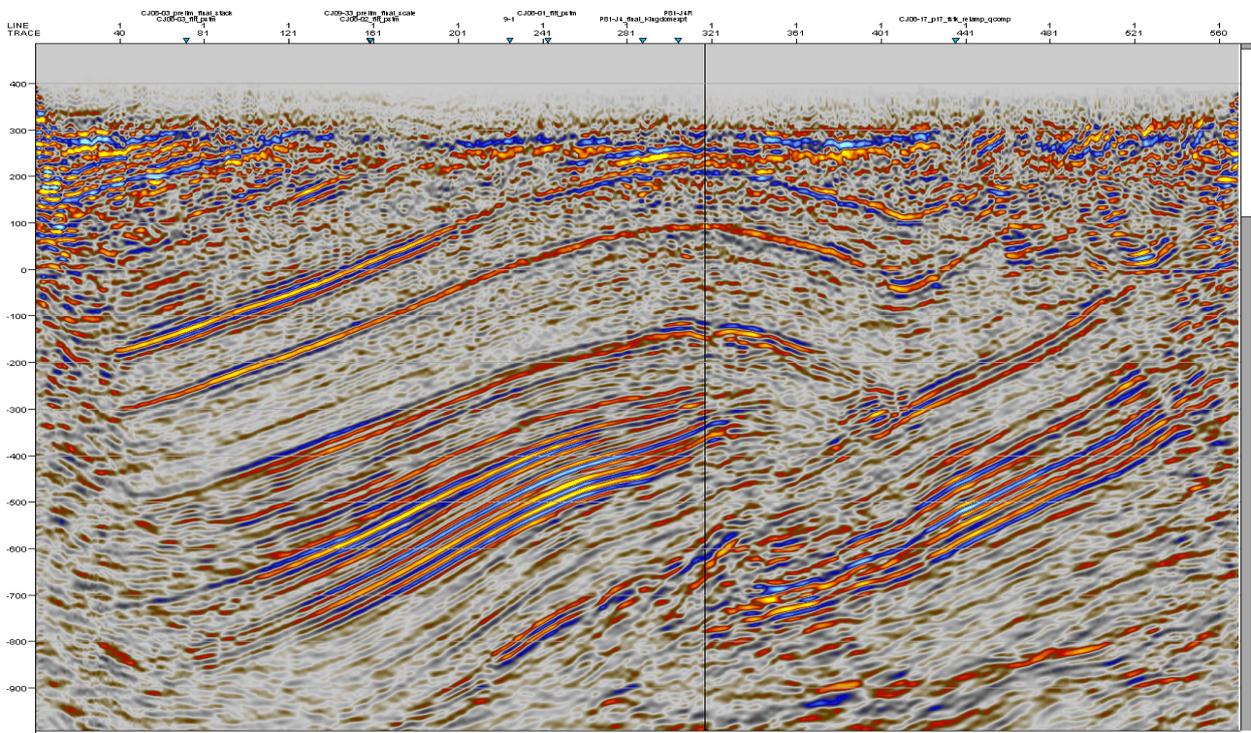


# CENTRAL PETROLEUM LIMITED

ABN 72 083 254 308

OPERATIONS REPORT FOR THE QUARTER ENDED 30 JUNE 2010



Seismic Section Through the Johnstone West Structure

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## 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 from the production of LNG for the transport industry from "mini" LNG plants 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. It was announced during the quarter that Petroleum Exploration Australia Limited (PXA) paid a \$4.25 million termination payment to withdraw from any further involvement with the Broadacre Joint Venture. The Joint Venture concerned had been "inherited" by the BG Group Australia Limited as a result of their purchase of QGC Limited and was not a good fit for them. It was recently announced, just after the quarter that Red Sky Energy (NT) Pty. Ltd (ROGNT) had withdrawn from the Broadacre Joint Venture via a confidential payment. Red Sky Energy Limited, the parent entity of ROGNT had recently announced its proposed involvement with the drilling of exploration wells for coal seam gas (CSG) and conventional targets in the Clarence-Moreton Basin in Northern New South Wales. Despite the distraction of negotiations surrounding the termination of the various Joint Ventures with ROGNT and PXA, the Company adopted the credo of "business as usual" and continued with exploration notwithstanding.

A very successful capital raising of \$22.7 million fully underwritten by Patersons' Stockbroking via a rights issue to shareholders was launched during the previous 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 has been applied 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. the completion 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 start of the quarter, the Company had \$ 25.0 million in banked funds inclusive of its share of committed funds held in Joint Venture accounts and at the end of the quarter, \$ 35.7 million in banked funds inclusive of its share of committed funds held in Joint Venture accounts. Drilling and seismic exploration was severely affected by flooding rains during the previous quarter with the result that c.\$1 million of standby costs were incurred. The Company during the quarter completed the last of 5 cored (CSG) wells 2010 and drilled most of the planned Ooraminna 2 gas well with positive results still under analysis.

### Exploration, Joint Venture Activities and Highlights of the Quarter

#### *Phase One 2009/10 Programme*

Results of the 5 well CSG drilling programme completed with the last well, CBM93-002 during June 2010 were very significant in terms of the thick and extensive coal seams penetrated but the CSG gas results have been equivocal to date. All laboratory results on completion of desorption and other studies have been dispatched to Netherlands Sewell and Associates in the USA to compile an independent report anticipated to be ready by late August/early September.

Intersections of coal seams over 1 metre in thickness during the recent 5 well Phase One programme and inclusive of CBM93-001 drilled in 2008 totalled 729 m for an average total per well of over 120m. Thicknesses of individual seams ranged up to 35m.

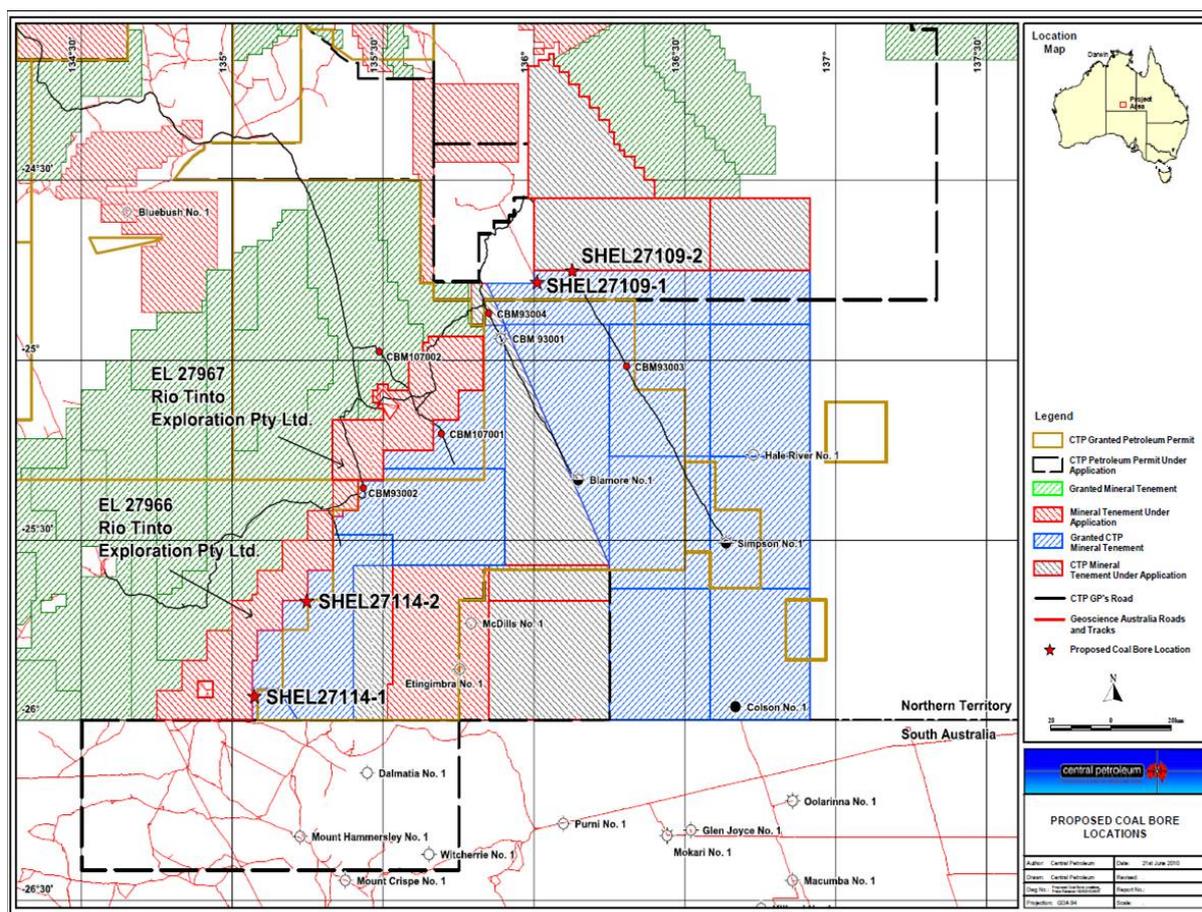
A result of the intersection of thicker than anticipated coal sections during the Phase One campaign is that previous exploration target resources will have to be remapped and recalculated possibly with significant gains.

The Company applied during the quarter for three more Mining Act exploration licences where coal is anticipated to be present following a review of recently generated data.

The Company is in discussion with several substantial companies regarding potential Joint Ventures aimed at coal exploitation; this may or may not lead to a formal agreement or agreements.

At the end of the June 2010 quarter, Terrex Seismic had completed most of a total of 1,380 km high quality 2D seismic of the total Phase One programme which was expected to be completed by late August prior to processing, mapping and analysis.

The Company plans to initiate shortly a limited stratigraphic drilling programme for better definition of the areal extent of coal in its Mining Act permits and application areas.



**Map showing Merlin Coal Pty Ltd Mining Act Permits and Applications and Proposed Stratigraphic Holes**

### Phase Two 2010 Conventional Drilling 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 was executed 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.

EVENT	START	FINISH	TARGET	COMMENT
Ooraminna-2	Spudded on 11 <sup>th</sup> June	Anticipated July 31 <sup>st</sup>	2 trillion cubic feet gas UGIIIP	Results are under analysis at the time of preparation of this report.
Johnstone-1	15 <sup>th</sup> August	15 <sup>th</sup> September	500 million barrels oil UOIIIP	Similar target to Mereenie Oilfield structure
Magee-2	1 <sup>st</sup> October	1 <sup>st</sup> November	800 billion cubic feet gas UGIIIP, 15 billion cubic feet helium UGIIIP	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	1 <sup>st</sup> January	31 <sup>st</sup> Augusty	Broadacre and prospect specific programme, oil, gas, CSG, UCG, coal, condensate and gas	Interrupted by two bouts of very heavy rain, close to completion

### Conditional timetable of 2010 exploration



John Heugh  
 Managing Director  
 30 July 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.

##### General Disclaimer

Potential volumetrics of gas or oil may be categorised as Undiscovered Gas or Oil Initially In Place (UGIIP or UOIIIP) 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 He Nuclear Ltd ("HEN") Magee Prospect Block) - HEA 100%.
- 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, 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 HEN Mt Kitty Prospect Block) and EPA-124 - ORP 100%.
- 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") 100%.
- EP-115 & EPA-111 – 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%

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

**Central Petroleum Limited**

ABN

**72 083 254 308**

Quarter ended ("current quarter")

**30 June 2010**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date 12. months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration (Note i)	(8,455) - - (1,720)	(20,342) - - (4,363)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	214	830
1.5 Interest and other costs of finance paid	-	(2)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(9,961)</b>	<b>(23,877)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - (119)	- - (444)
1.9 Proceeds(net) from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- 175 -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other- Security deposits for restoration obligations	-	(573)
<b>Net investing cash flows</b>	<b>(119)</b>	<b>(842)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(10,080)</b>	<b>(24,719)</b>

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**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(10,080)	(24,719)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds (net) from issues of shares, options.	20,850	24,524
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)	-	-
<b>Net financing cash flows</b>		20,850	24,524
<b>Net increase (decrease) in cash held</b>		10,770	(195)
1.20	Cash at beginning of quarter/year to date	24,966	35,931
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	35,736	35,736

*Note to Statement of Cash Flows*

*i Payments for administration include approximately \$450,000 in legal costs associated with the resolution of joint venture participation disputes with Petroleum Exploration Australia Limited and with Red Sky Energy(NT) Pty Ltd.*

**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

--

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

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### 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 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	16,742
4.2 Development	0
4.3 Production	0
4.4 Administration	1,125
<b>Total</b>	<b>17,867</b>

### 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	34,603	23,866
5.2 Deposits at call	1,133	1,100
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>35,736</b>	<b>24,966</b>

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**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		

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6.2	Interests in mining tenements acquired or increased	<u>Northern Territory Licenses</u>	All interests are equity or working interests		
		EP82		70%	90%
		EP93		70%	90%
		EP97Farmin Areas		65 %	80%
		EP105		70%	90%
		EP106		70%	90%
		EP107		70%	90%
		EP112		70%	90%
		EP115		60%	80%
		EP118		70%	90%
		EP125		70%	90%
		EPA111		60%	80%
		EPA92		70%	90%
		EPA120		70%	90%
		EPA124		70%	90%
		EPA129		70%	90%
		EPA131		70%	90%
		EPA132		70%	90%
		EPA133		70%	90%
		EPA137		70%	90%
		EPA147		70%	90%
		EPA149		70%	90%
		EPA152		70%	90%
		EPA160		70%	90%
		<u>Qld Licenses</u>			
		ATP909		70%	90%
		ATP911		70%	90%
		ATP912		70%	90%
		<u>SA License</u>			
		PELA77		70%	90%
		<u>WA Licenses</u>			
		PEPA 16/08-9		70%	90%
		PEPA 17/08-9		70%	90%
		PEPA 18/08-9		70%	90%

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**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 (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>	-	-		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	907,289,333	907,289,333		
7.4 Changes during quarter (a) Increases through issues (b) Increases through exercise of options (b) Decreases through returns of capital, buy-backs	301,824,330 42,485 0	301,824,330 42,485 0	\$0.075 \$0.16	\$0.075 \$0.16
7.5 <b>*Convertible debt securities</b> <i>(description)</i>	0	0		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

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**Appendix 5B**  
**Mining exploration entity quarterly report**

7.7	<b>Options</b> <i>(description and conversion factor)</i>			<u>Exercise price</u>	<u>Expiry date</u>
		274,320,034	274,320,034	\$0.16	31 Mar 2014
		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
		6,340,000	0	\$0.122	31 May 2015
7.8	Issued during quarter	120,856,222 6,340,000	120,856,222 0	\$0.16 \$0.122	31 Mar 2014 31 May 2015
7.9	Exercised during quarter	42,485	42,485	\$0.16	31 Mar 2014
7.10	Expired during quarter	95,947,703 21,250,000	95,947,703 0	\$0.25 \$0.20	30 Jun 2010 31 May 2010
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

### 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: .....  
(Joint Company Secretary)

Date: .....30 July 2010...

Print name: ..Bruce Elsholz.....

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## 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.

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