

# Central Petroleum Limited

ABN 72 083 254 308

**Operations Report and ASX Appendix 5B  
For the Quarter ended 31 December 2011**



Oil coating 6" bottom hole assembly during horizontal drilling operations at Surprise-1 Re-entry

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## Corporate objectives

These can be summarised as:

1. Crude oil/condensate discovery and sales for early cash flow.
2. Gas/helium/condensate discovery for intermediate term cash flow from cryogenic helium export and local "mini" LNG (liquefied natural gas) production for the transport and local mining industry.
3. Longer term value adding to gas via GTL (gas to liquids) and/or LNG for domestic and export markets.
4. Long term monetisation of coal via mining, beneficiation and export, UCG (underground coal gasification) and value adding via GTL or other processes and possible mining and conversion to GTL products via CTL (coal to liquids).

It is planned to explore and develop the Group's *coal assets* in a joint venture structure with incoming joint venture partners managing and funding 100% of exploration and bankable feasibility studies to earn and interest and then for the Group to fund its participating interest at project funding stage. This approach if successful will allow the Group to focus on its core interests of oil, gas, condensate and helium discovery and monetisation. This would be assisted by farm outs and subsequent joint ventures from exploration all the way down the value adding chain to point of sale as appropriate. **It is the Company's intention to maximise shareholder value by the sequential farm out of parcels of land up to c. one million acres rather than to do very large broadacre farmouts at relatively low prices.**

## Company Goals

The Company's immediate focus is to monetise the Surprise discovery as soon as possible and relevant data is being reviewed to facilitate detailed planning of subsequent drilling and 3D seismic. . The Company's short term focus remains crude oil and condensate discovery and monetisation for potential early cash flow with future value adding for any gas discoveries via conversion to liquid transport fuels and/or LNG. Within the constraints of land access, sequence of grant and the inherent constraints of joint ventures the Company's focus has not changed. Early cash flow from any oil discoveries may initially be possible simply via trucking to port facilities at either of Port Darwin or Port Bonython with later development potential lying in additional pipeline facilities and/or bulk liquids haulage on the rail system connecting central Australia with port facilities.

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 via the conversion of gas into liquid transport fuels (GTL) can be brought into play.

Apart from conventional oil and gas reservoir potential, the Company has significant areas prospective in unconventionally reservoired oil and gas potential in the Company's acreage in the Amadeus Basin and the Southern Georgina Basin. 16 billion barrels of oil equivalent at "mean" prospective recoverable resource level have been independently estimated.

Recent developments in the worldwide coal sector and coal discoveries by the Company in its vast Pedirka Basin mineral leases have led to interest from various groups in the Company's potential coal resources with monetisation pathways being evaluated including coal mining and beneficiation for export, coal to liquids (CTL) and underground coal gasification (UCG) with gas to liquids value adding to any gas produced such as gas to liquids (GTL) processing.

The Company holds a 100% working interest in all of its permits and application areas other than the Simpson, Pellinor, and Bejah prospect blocks within EP97 where the Company has a farm-in agreement with Rawson Resources Limited, and the Mt Kitty and Magee prospect blocks within EP125 and EP82 respectively which are the subject of a farm-out to Oil and Gas Exploration Limited. The Company continues to seek potential joint venture participants with the financial capacity and the will to explore the vast prospective acreage at its disposal and is focussing its efforts on large companies and majors. Interest in the Company's acreage which is believed to contain potentially very large commercial quantities of conventionally and unconventionally reservoired hydrocarbons, helium and coal continues. Prospective exploration acreage values in the energy industry, particularly in the overlooked central Australian basin areas are escalating rapidly so the Company is determined to extract maximum value for its shareholders in any deal being contemplated. For example quite recently there have been notable farm-in deals into Australian unconventional acreage at imputed values of up to \$300/net acre.

Recent valuations of the Company's exploration potential underscore how undervalued the Company's securities are. Bakers Group have presented a lowside valuation of the Pedirka Basin coal UCG potential of \$2 billion, a recent share target price based on the Group's short term (one year) drilling plans of \$0.32 per Share and Mulcon Pty Ltd have valued the Group's unconventional potential at \$412 million for the upstream component and \$5 billion for the downstream component based solely on unconventional resource potential in a report announced on 1 September 2011. An additional Bakers Group valuation has quoted a medium to long term diluted share trading price of \$1.75 to \$2.16 per share.

## HIGHLIGHTS

- **Surprise-1 (Re-entry) (“S1REH”) is an oil discovery in the western Amadeus Basin that has flowed 380 barrels of oil per day on initial flow testing**
- **API Gravity averaging 40 Degrees – light sweet crude**
- **Low Gas Oil Ratios and with a low 4.4% drilling fluid and or water cut**
- **First significant oil flow from an onshore discovery well in the Northern Territory in almost fifty years**
- **First ever horizontal well completion producing oil in central Australia**
- **Extended Production Testing and oil sales planned to commence on or about April 2012**
- **Follow up drilling and 3D seismic planned, possible 2<sup>nd</sup> successful well on Extended Production Test by April 2012**



**Hunt Rig #3 on location at Surprise**

## Review of Operations and other Joint Venture Activities for the December 2011 Quarter (“the Quarter”)

The Company's focus for the Quarter was twofold:

- preparing for and executing the re-entry and drilling and testing of the Surprise-1 RE H (“S1REH”) well in EP115 [CTP 100%]; and
- continuing with the interpretation of seismic and other data to develop exploration plays throughout the Company's acreage and to establish optimal drilling locations on the Simpson East, Madigan and Mt Kitty structures.

### Surprise-1 re-entry and horizontal drilling

The Surprise-1 well which had been drilled in December 2010 was re-entered on 18 November 2011 using Hunt Rig #3 and on 29 November 2011 the well had reached a depth of 2,672mRKB in the Pacoota Sandstone.

Drilling began following re-entry of new Lower Stairway Formation at the base of the previously cored zone. Fair to good oil shows accompanied by background gas up to a 75 unit peak with high “heavy” gas components were reported through the base of the Lower Stairway Sandstone which continued from the 9m core previously cut in December 2010.

Including the results of the core cut previously, it is apparent that at the base of the Lower Stairway Sandstone, the well has encountered approximately 28m True Vertical Depth of continuous fair to good oil shows. Inclusive of discontinuous oil shows 68m True Vertical Depth of oil shows have been encountered. The lithologies in the additional 11m drilled of these oil shows has been described on the wellsite as being fine to coarse grained with fair visual porosity and abundant yellow-gold natural fluorescence and strong yellow solvent cut fluorescence.

The results of electric log analysis, coring and visual observations of cuttings and mud flow indicated a prospective oil flow from the well so the Company proceeded to drill a 230m (approximate) lateral which it then tested. A number of dip changes were encountered during the horizontal drilling but the drill bit remained in sandstone throughout and with continuous oil shows. Of the 230m section drilled just 10m (approximate) rated less than good to excellent shows.

The first flow rates from testing were released to the market on 11 January 2012 with a maximum sustained flow rate of 300 BOPD over a four hour test period, with a 7.5% drilling fluid cut. The quality was API gravity averaging 40 Degrees-light sweet crude and low gas oil ratios.

On 13 January 2012 the Company advised that further initial flow testing had finished after recording a sustained flow rate via a 32/64” choke of 380 bbls/day with a low 4.4% drilling fluid and/or water cut. The final PBU (Pressure Build Up) was 523 PSI.

Following the completion of initial flow testing at the Surprise-1 well the Hunt Rig #3 was released and stacked on site pending a determination of drilling plans going forward.

In the meantime Central is planning an Extended Production Test (EPT) which is anticipated to commence within 2-3 months and to extend for up to several months. The Company is evaluating alternative scenarios for the lifting, transportation and sale of the oil produced during the EPT. Work is underway to obtain the necessary permits and regulatory approvals and to negotiate a sales contract. It is possible that further improvements in flow rate may be recorded during the EPT.

All relevant geological, petrophysical and flow testing data gathered from the drilling of recent re-entry well, including its horizontal leg, as all available seismic data is being prepared for comprehensive analysis to better define the reservoir potential and design the most appropriate EPT.

Central was pleased to announce the first significant oil flow from an onshore discovery well in the Northern Territory in almost fifty years and also what is believed to be the first ever horizontal well completion producing oil onshore in Australia. The Company believes this success at Surprise has materially enhanced the prospectivity of Central's extensive acreage in the western Amadeus Basin.

## Data Interpretation

The Company continued with interpretation of the seismic data acquired from its recent seismic acquisition programme as well as interpretation of reprocessed seismic of earlier vintage to firm up drillable prospects. The Company also completed further technical reports for use in planning for its forward exploration campaigns in conventional and unconventional oil and gas horizons.

The Company also continued to progress the exploration of its coal resources via a business arrangement with Allied Resource Partners Pty Ltd ("ARP"). The Company and ARP have entered into a Deed of Co-operation to oversee the sourcing of funding and technology for a series of underground coal gasification ("UCG") and or gas to liquids ("GTL") projects.

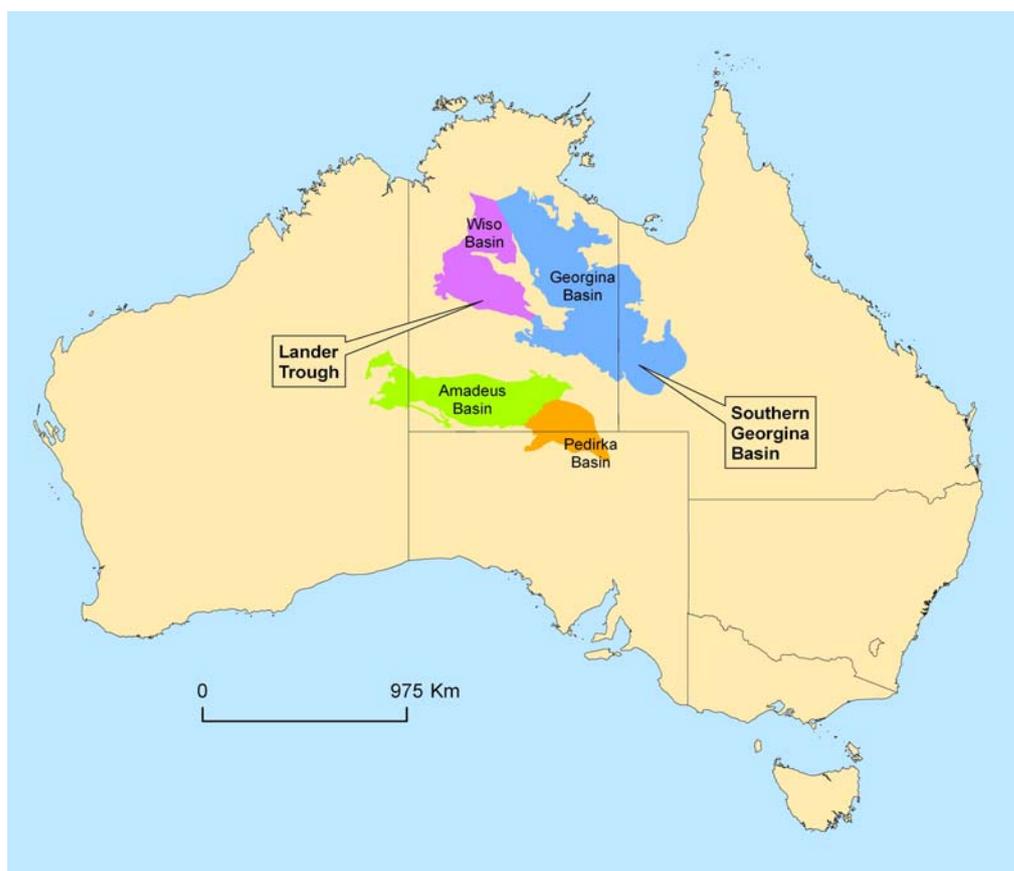
## Studies and Reports

### *Additional Unconventional Play Exploration Targets*

On 1 December 2011 the Company released a further internal technical report detailing the identification of potentially up to 65 million acres (260,000 km<sup>2</sup>) of unconventional play exploration targets in its acreage in the Southern Georgina and Amadeus Basins, over and above the 11 million acres detailed by DSWPET Pty Ltd in an earlier report.

These additional unconventional play exploration targets in the Palaeozoic and Pre-Cambrian throughout the Lander Trough of the Wiso Basin, the Amadeus Basin and Pedirka/Eromanga Basins are represented by known mature source rocks in a series of superimposed horizons which have been drilled and many of which have been logged, sampled and analysed.

Although the commercial exploitation of most unconventional exploration play targets such as those in North America is restricted to a modest percentage (20-40%) of the total play area, the exploration targets described in the technical note may represent important additional horizons for exploration going forward for the Company.



*These results are preliminary and based on sparse drilling and sampling from historical and recent exploration over a 50 year period. Significantly more exploration, sampling and analyses is required before any resource figures may result. The observations in the accompanying Technical note are subject to review as more data comes to hand.*

## **Farm-ins /Farm-outs**

There were no farm in or farm out deals completed in the Quarter but the Company is in active discussion with a number of significant potential partners.

## **Legal Action**

During the Quarter the Company continued with the preparation work for its arbitration proceedings against Century Energy Services Pty Ltd and MB Century Drilling Pty Ltd in the matter of the unplanned incident which occurred during the drilling of Surprise-1 in EP 115 whereby the monkey board and 129 stands of racked drill pipe twisted around the rig mast by thirty degrees whilst the wireline sheaves were being repositioned. This incident resulted in the Company having to necessarily terminate the drilling contract with Century Energy Services Pty Ltd for performance related issues.

## **Forward Exploration and Development Plans**

### *Oil and Gas Interests*

The Company is examining its options for a second well at the Surprise prospect using the existing drilling rig. A decision on drilling the second well prior to running a 3D seismic programme is under consideration.

As well as planning the further development of the Surprise discovery, the Company is actively reviewing plans for seismic acquisition and further drilling of a number of play types. Included amongst the play types are the Surprise-Johnstone and the North-West Mereenie areas in EP115 for both conventional and unconventional oil accumulations, reefal carbonate plays in the Pedirka Basin and the conventional and unconventional oil and gas potential within the Company's application areas in the Southern Georgina Basin. More specifically planning is ongoing for the drilling of either the Madigan, Simpson East prospects and the Pellinor Reef plays in the Pedirka Basin, and the Mt Kitty prospect in the Amadeus Basin. The Mt Kitty prospect is anticipated to host condensate as well as helium, a valuable gas originally discovered in the sub-salt Magee prospect in the Amadeus Basin in 1992 (Magee-1).

In addition to a full evaluation of the results from the S1REH testing programme, Central will also be assessing the unconventional shale oil/gas potential of the well.

### *Mineral / Coal Interests*

As previously reported the Company has commenced a global search for Pedirka Basin UCG/GTL Commercialisation Partners. That search is ongoing.

The Company has partnered with Allied Resource Partners Pty Ltd ("ARP") to commercialise part of the Company's permit and application areas in the Pedirka Basin covering coal deposits. ARP will instigate and oversee the global search for funding and technology partners for this part of the Company's coal assets located in the Northern Territory and South Australia.

A rigorously prescriptive Request for Proposal ("RFP") process is being used to bind commitments to the Project from carefully selected major domestic and global petroleum and mining companies, sovereign funds, energy funds and investment funds. Compliant RFP respondents will be required to detail their plans to explore for coal and potentially complete a Bankable Feasibility Study with Stage 1 output of a minimum of 60,000 barrels per day from the yet to be drilled minimum JORC compliant resource of 4 billion tonnes of accessible coal and their plans to commence construction of Stage 1 of the Project within 5 year. The respondents will also be required to detail their incremental expansion strategies to a potential 3 million barrels per day output.

The foregoing effort is predicated upon significant expenditure, exploration success, technical due diligence and other attendant requirements such as State and Federal support and legislative clarification. While the tenements are highly prospective with coal intersections up to 35metres in thickness, they remain sparsely drilled, hence the exploration phase is critical to the long term success of the proposal.

## Corporate

### Personnel Change

Mr Dalton Hallgren is to be appointed Chief Operating Officer, effective on visa requirements being met, to replace Al Thorsen.

Mr Hallgren is a well qualified manager and drilling engineer, having worked extensively, inter alia, in the Marcellus, Bakken, Haynesville and Barnett shale gas and shale oil plays in the USA. He had managed the drilling of numerous horizontal multi-stage fraced wells in such plays for companies such as Halliburton Project Management, Burlington Resources, Headington Oil, St Mary, Peak, Encana, Hess, Marathon and Conoco. He also saw military service in special operations with the US Army, retiring with the rank of Captain and has extensive experience with remote desert operations both in this role as well as in oilfield operations. He has also worked extensively on international well control assignments as a specialised well control engineer with Boots and Coots.

### Capital Structure

The Company had 1,073,304,802 ordinary shares and 274,304,525 listed options on issue at 31 December 2011. There were no changes during the Quarter. Subsequent to 31 December 2011 the Company will be issuing approximately 130,071,000 ordinary shares from the raising of \$7,153,900 through its Share Purchase Plan which closed on 25 January 2012.

The listed options have an exercise price of 16 cents per option and an expiry date of 31 March 2014.

The Company issued 18,993,335 unquoted options during the Quarter. These were issued under the Company's employee share option plan ("ESOP"). No directors including the Managing Director were included in these issues. There were 666,666 unquoted options that expired during the Quarter. As a result of these changes there are 66,196,666 unquoted options on issue at 31 December 2011. These options are at various exercise prices and various expiry dates. Subsequent to 31 December 2011 a further 12,000,000 options have expired, leaving 54,196,666 unquoted options on issue at the date of this report.

### Share Purchase Plan

The Company opened a Share Purchase Plan ("SPP") on 26 September 2011 to enable its existing shareholders the opportunity to invest in Central on the same terms as those offered to the placees in the recent (September 2011) Share Placement. Registered CTP shareholders at 14 September 2011 with an address (as recorded on the Company's share register) in Australia or New Zealand were able to acquire additional shares in the Company at 5.5 cents via the SPP. The SPP closed on 25 January 2012. The SPP was conditionally underwritten for the first \$5.5 million (100 million shares) by Patersons Securities Limited. However the SPP raised \$7,153,900 or \$1,653,900 in excess of the \$5.5 million.

### Dual Listing in Canada

During the Quarter the Company has continued to progress the preparation of the various listing documents required for its planned dual listing on the TSX Venture Exchange ("TSXV"). The timing of the listing is expected to be in the first half of the 2012 calendar year, subject to market conditions.

The company has committed to the services of Canaccord Genuity Corporation and Cormark Securites Inc. to act as financial advisors for the proposed listing. Ryder Scott have been appointed as independent geologists and engineers for preparation of relevant 51/101 documentation.

### Cash Position

The Company started the Quarter with \$13.26 million in cash and cash equivalents and at 31 December 2011 held \$7.69 million, both amounts inclusive of its share of cash held in Joint Venture bank accounts. Cash expenditures for the Quarter were principally on drilling operations as well as corporate overheads and minor amount for fixed asset acquisitions. Cash inflows for the Quarter were primarily interest income and refunds of GST.

John Heugh  
Managing Director  
31 January 2012

**Competent Persons Statement**

**Al 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 Al 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 Legal 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 the Company in this announcement or report have not been reviewed by any relevant joint venture partners, therefore those resource estimates, assessments of exploration results and opinions represent the views of the Company only.. 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.

This document may include statements that are forward looking statements. Such forward looking statements are by their nature speculative and based on various assumptions. Any such statements are hypothetical with respect to prospective events and should not be construed as being indicative of the actual events which will occur or a guarantee of future performance. All forward looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ from those contemplated by the relevant forward looking statements. Any exploration programme proposal is contingent upon several factors, including, but not limited to, access, weather, funding, and availability of appropriate crew and equipment.

This document may contain forward-looking statements. Forward looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of Central. These risks, uncertainties and assumptions include (but are not limited to) 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 and cost estimates. Actual values, results or events may be materially 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, Central, its agents, directors, officers, employees, advisors and consultants do not undertake any obligation to update or revise any information or any of the forward looking statements in this document if events, conditions 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," "estimate," "anticipate," "plan," "predict," "may," "hope," "can," "will," "should," "expect," "intend," "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.

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*NOTICE: The participating interests of the relevant parties in the respective petroleum permits and permit applications 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 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%.*

# 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")

**31 December 2011**

### Consolidated statement of cash flows

| Cash flows related to operating activities                      | Current quarter<br>\$A'000 | Year to date<br>(6 months)<br>\$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from product sales and related debtors             |                            |                                       |
| 1.2 Payments for  |                            |                                       |
| (a) exploration & evaluation                                    | (4,122)                    | (5,174)                               |
| (b) development   | -                          | -                                     |
| (c) production  | -                          | -                                     |
| (d) administration  | (2,535)                    | (4,830)                               |
| 1.3 Dividends received  | -                          | -                                     |
| 1.4 Interest and other items of a similar nature received       | 148                        | 303                                   |
| 1.5 Interest and other costs of finance paid                    | 7                          | (6)                                   |
| 1.6 Income taxes paid   | -                          | -                                     |
| 1.7 (a) Other income  | -                          | 9                                     |
| (b) GST refunds received  | 232                        | 2,789                                 |
| <b>Net Operating Cash Flows</b>                                 | <b>(6,270)</b>             | <b>(6,909)</b>                        |
| <b>Cash flows related to investing activities</b>               |                            |                                       |
| 1.8 Payment for purchases of:                                   |                            |                                       |
| (a) prospects   | -                          | -                                     |
| (b) equity investments  | -                          | -                                     |
| (c) other fixed assets  | (236)                      | (367)                                 |
| 1.9 Proceeds(net) from sale of:                                 |                            |                                       |
| (a) prospects   | -                          | -                                     |
| (b) equity investments  | -                          | -                                     |
| (c) other fixed assets  | -                          | -                                     |
| 1.10 Loans to other entities                                    | -                          | -                                     |
| 1.11 Loans repaid by other entities                             | -                          | -                                     |
| 1.12 Other- Redemption/(lodgement) of security bonds            | 959                        | 959                                   |
| <b>Net investing cash flows</b>                                 | <b>723</b>                 | <b>592</b>                            |
| 1.13 Total operating and investing cash flows (carried forward) | <b>(5,547)</b>             | <b>(6,317)</b>                        |

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

|   |  |         |         |
|---|--|---------|---------|
| 1.13  | Total operating and investing cash flows (brought forward) | (5,547) | (6,317) |
| <b>Cash flows related to financing activities</b> |  |         |         |
| 1.14  | Proceeds (net) from issues of shares, options.             | (28)    | 4,544   |
| 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>                            | (28)    | 4,544   |
|   | <b>Net increase (decrease) in cash held</b>                | (5,575) | (1,773) |
| 1.20  | Cash at beginning of quarter/year to date                  | 13,266  | 9,464   |
| 1.21  | Exchange rate adjustments to item 1.20                     | -       | -       |
| 1.22  | <b>Cash at end of quarter</b>                              | 7,691   | 7,691   |

**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<br>\$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 217                        |
| 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 and expenses                             |                            |

**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

Nil

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

Nil

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### Financing facilities available

Add notes as necessary for an understanding of the position.

|                                 | Amount available<br>\$A'000 | Amount used<br>\$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities             | -                           | -                      |
| 3.2 Credit standby arrangements | -                           | -                      |

### Estimated cash outflows for next quarter

|                                | \$A'000      |
|--------------------------------|--------------|
| 4.1 Exploration and evaluation | 6,868        |
| 4.2 Development                | -            |
| 4.3 Production                 | -            |
| 4.4 Administration             | 1,950        |
| <b>Total</b>                   | <b>8,818</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<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank                     | 7,691                      | 13,266                      |
| 5.2 Deposits at call                             | -                          | -                           |
| 5.3 Bank overdraft                               | -                          | -                           |
| 5.4 Other (provide details)                      | -                          | -                           |
| <b>Total: cash at end of quarter (item 1.22)</b> | <b>7,691</b>               | <b>13,266</b>               |

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**Changes in interests in petroleum permits and mining tenements**

|   | Tenement reference | Nature of interest<br>(note (2)) | Interest at<br>beginning<br>of quarter | Interest at<br>end of<br>quarter |
|---|--------------------|----------------------------------|--|----------------------------------|
| 6.1 Interests in mining tenements relinquished, reduced or lapsed | Nil                |                                  |  |                                  |
| 6.2 Interests in mining tenements acquired or increased           | Nil                |                                  |  |                                  |

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**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) | Amount paid up per security (see note 3) |
|--|---------------|---------------|---------------------------------------|--|
| 7.1 <b>Preference securities</b><br><i>(description)</i>   | -             | -             |                                       |  |
| 7.2 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions                                 |               |               |                                       |  |
| 7.3 <b>+Ordinary securities</b>  | 1,073,304,842 | 1,073,304,842 |                                       |  |
| 7.4 Changes during quarter<br>(a) Increases through issues<br>(b) Increases through exercise of options<br>(b) Decreases through returns of capital, buy-backs | -<br>-<br>-   | -<br>-<br>-   |                                       |  |
| 7.5 <b>+Convertible debt securities</b><br><i>(description)</i>  |               |               |                                       |  |
| 7.6 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted  |               |               |                                       |  |

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

| 7.7  | <b>Options</b><br>(description and conversion factor) |                         |             | <u>Exercise price</u> | <u>Expiry date</u>         |
|------|---|-------------------------|-------------|-----------------------|----------------------------|
|      |   | 274,304,525             | 274,304,525 | \$0.16                | 31 Mar 2014                |
|      |   | 11,000,000              | 0           | Various               | 03 Jan 2012                |
|      |   | 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                |
|      |   | 600,000                 | 0           | \$0.11                | 31 Oct 2015                |
|      |   | 300,000                 | 0           | \$0.12                | 12 May 2016                |
|      |   | 5,646,665               | 0           | \$0.11                | 20 Jul 2016                |
|      |   | 2,000,000               | 0           | \$0.115               | 19 Aug 2016                |
|      |   | 4,000,000               | 0           | \$0.115               | 30 Aug 2016                |
|      |   | 12,993,335              | 0           | \$0.095               | 15 Nov 2016                |
|      |   | 6,000,000               | 0           | \$0.095               | 30 Nov 2016                |
| 7.8  | Issued during quarter                                 | 12,993,335<br>6,000,000 | 0<br>0      | \$0.095<br>\$0.095    | 15 Nov 2016<br>30 Nov 2016 |
| 7.9  | Exercised during quarter                              | 0                       | 0           |                       |                            |
| 7.10 | Expired during quarter                                | 666,666                 | 0           | \$0.25                | 17 Nov 2011                |
|      | Cancelled during quarter                              | 0                       | 0           |                       |                            |
| 7.11 | <b>Debentures</b><br>(totals only)                    |                         |             |                       |                            |
| 7.12 | <b>Unsecured notes</b> (totals 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 ~~does not~~\* (delete one) give a true and fair view of the matters disclosed.



Sign here: .....  
 (Joint Company Secretary)

Date: 31 January 2012...

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

+ See chapter 19 for defined terms.

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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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