

# Central Petroleum Limited

ABN 72 083 254 308

## Operations Report and ASX Appendix 5B For the Quarter ended 31 March 2012

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### HIGHLIGHTS

- Surprise-1 (Re-entry) (“S1REH”) oil discovery in the western Amadeus Basin flow-tested 380 barrels of oil per day.
- Further exploration and appraisal work at and around the Surprise prospect is proceeding.
- During and subsequent to the end of the quarter Central raised approximately \$21 million (before costs) through a series of capital raisings, including a Share Purchase Plan and two separate private placements.

## **Review of Operations and other Joint Venture Activities for the March 2012 Quarter (“the Quarter”)**

Central's operational focus for the Quarter was centred around EP115 in the Amadeus Basin, Northern Territory where the Company is actively working on its ongoing field appraisal programme.

This included civil works, designing production testing programmes, letting contracts and ordering long lead time items, and developing 3D and 2D seismic acquisition programmes designed to, amongst other things, establish optimal drilling locations for future appraisal of the Surprise and adjacent structures.

Meanwhile, substantial effort is being directed to negotiating and concluding farm-out arrangements with significant industry partners.

### **Surprise-1 Re-entry and Horizontal Drilling**

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

The results of electric log analysis, coring and visual observations of cuttings and mud flow indicated a prospective oil flow from the well. The Company proceeded to drill an approximately 230m 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, approximately 10m rated less than good to excellent oil shows.

The first flow rates from testing were released to the market on 11 January 2012 with a maximum sustained flow rate of 300 barrels of oil per day (BOPD) over a four-hour test period, with a 7.5% drilling fluid cut. The oil quality encountered had an 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 concluded after recording a sustained flow rate via a 32/64" choke of 380 BOPD with a low 4.4% drilling fluid and/or water cut. The final PBU (Pressure Build Up) was 523 PSI.

Independent consultants RPS Energy Pty Ltd (“RPS”) concluded that the well may access Stock Tank Oil Initially In Place (STOIIP) in the range of 0.5 to 2 million barrels in an area proximal to the well. RPS based their calculations on a 105m section of the horizontal well bore placed in the lower half of an 8m thick sandstone reservoir section with an average permeability of 50 millidarcies and a vertical to horizontal permeability ratio of 10%. RPS used a vertical wellbore model; further definition may be available by using horizontal wellbore modelling.

Following the completion of initial flow testing at the Surprise-1 well, the Hunt Rig #3 was released and was temporarily stacked on site pending a determination of drilling plans going forward. The Company subsequently elected not to exercise the option to retain Hunt Rig #3, thereby deferring the drilling of an appraisal well pending the outcome of the planned Extended Production Test of the Surprise-1 RE H well and acquisition of 3D seismic over the Surprise structure.

### **Extended Production Testing (“EPT”)**

Central is planning an EPT which is anticipated to commence in the next (June) quarter 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, and all available seismic data, is being prepared for comprehensive analysis to define the reservoir potential better and design the most appropriate EPT program.

The Company has completed a 40-kilometre short-cut access road from the Surprise well to the main Kintore bypass road. This new all-weather road will significantly reduce travel time and enhance accessibility to the area, not just for the EPT operations but also for seismic acquisition programmes and future drilling and production operations.

### **Seismic Acquisition**

Terrex Seismic was awarded the contract to acquire 82 km<sup>2</sup> of 3D seismic data over the Surprise structure in EP115.

An additional 132km of 2D seismic data is planned to be acquired in the northern Pedirka Basin to evaluate the Pellinor lead that involves a Warburton Basin play associated with interpreted carbonate reefal facies.

Subject to receipt of final permitting clearances and other approvals, seismic acquisition is planned to commence in May/June 2012 and processing of the 3D is expected to be completed by September/October 2012.

### **Data Interpretation**

The Company continued with interpretation of the seismic data acquired from its 2010/2011 seismic acquisition programmes as well as interpretation of reprocessed seismic of earlier vintage to firm up drillable prospects. It is anticipated that seismic data to be acquired in the next two months will be fully processed by September/October 2012, and detailed mapping and planning will follow.

### **Mineral / Coal Interests**

The Company continued to progress a business arrangement with Allied Resource Partners Pty Ltd ("ARP"). The Company and ARP 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.

A rigorously prescriptive Request for Proposal ("RFP") process is planned 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 five years. The respondents will also be required to detail their incremental expansion strategies to a potential 3 million barrels per day output.

The outcome of these plans is subject to 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 35 metres in thickness, they remain sparsely drilled; hence the exploration phase is critical to the long-term success of the proposal.

### **Separate Listing of Coal Assets**

Central has advised that it is currently investigating options to maximise shareholder value of its extensive early stage coal discoveries in central Australia through a separate listing of these assets.

The Company believes the coal assets have significant potential which require a dedicated focus. The proposed separate listing of the coal assets would have its own board of directors, an experienced coal management team and funding capabilities, yet most importantly still provide Central shareholders exposure to the coal assets through a retained equity interest.

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

There were no farm-in or farm-out deals completed in the Quarter. However, as further discussed below in the 'Forward Exploration and Development Plans' section of this report, the Company is in active discussion with a number of significant potential farm-in partners.

### **Modification of the existing EP97 Farm-in**

The Company has agreed with Rawson Resources Limited ("Rawson") to combine all of Central's current EP97 farm-ins of the Simpson, Bejah and Pellinor blocks into one farm-in arrangement.

Central's farm-in of the Dune Block (in which Central is yet to earn an interest) has been removed from the previous farm-in deal with Rawson. However, Central retains a first right of refusal (but not the obligation) to match any bona fide offer which Rawson receives and wishes to accept relating to Rawson's farm-out of the Dune Block.

### **Legal Action with Drilling Rig Owner**

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 30 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.

The matter is currently planned to proceed to an arbitration hearing scheduled for November 2012.

### **Forward Exploration and Development Plans**

The Company is committed and focused on commercialising the potential within Central's vast acreage position in central Australia and developing the Surprise-1 REH well oil field discovery.

The forward strategy is to actively promote farm-in activity in relation to Central's large holdings of highly prospective acreage. Farm-in agreements are necessary for the future growth and development of the Company, through a reduction in our exploration and development commitments and to manage risk prudently. It will also enable Central to expedite an enhanced exploration programme, thereby strengthening the overall valuation of our acreage. This activity will be designed to manage valuable shareholders' funds prudently and as such, the Company's goal is not to have drilling programs where Central funds 100% of the costs.

The Company has received an unprecedented amount of genuine interest from potential farm-in partners and several negotiations are currently in play. The Board has adopted an industry standard Confidentiality Agreement that other industry players are comfortable with, and will report to shareholders and the market as soon as any agreement is in place.

The Company's new initiative to expedite and promote farm-in opportunities is gaining momentum. Central is aiming to partner with genuine explorers and developers who are able to collaborate with the Company in realising the value of our underexplored holdings, and not just take opportunistic positions in the Company. While Central is eager to finalise farm-in agreements for some of the Company's acreage, Central will not proceed with any agreement that undervalues our acreage potential for the sake of completing a deal.

The potential of Central's own material acreage holdings, and others in the Central Australia region, is now being recognised by the international oil and gas industry following Central's discovery at Surprise. As Central has the largest holding of prospective onshore conventional/unconventional acreage, we are well placed to capitalise on the current market opportunities to deliver shareholder value.

## **Corporate**

### **Cash Position**

The Company started the Quarter with \$7.69 million in cash and cash equivalents and at 31 March 2012 held \$8.04 million, both amounts inclusive of its share of cash held in Joint Venture bank accounts. Cash inflows for the Quarter were primarily from share issue proceeds and refunds of GST, with a lesser contribution from interest income. Cash expenditures for the Quarter were principally on

exploration (primarily the drilling of the Surprise-1 Re-entry/horizontal well, where the Company paid 100% of the costs) and corporate overheads.

Subsequent to the end of the Quarter, on 11 April 2012, the Company completed a private placement of \$11,050,000 (before costs) to sophisticated and institutional investors.

### Shareholder Meeting

The Company will be convening a shareholder meeting during the month of June 2012. Details of timing and location for the meeting are expected to be finalised shortly and shareholders will receive a Notice of Meeting.



Dalton Hallgren

Acting Chief Executive Officer

30 April 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 March 2012**

### 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 & evaluation	(9,107)	(14,281)
(b) development	-	-
(c) production	-	-
(d) administration	(1,466)	(6,296)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	100	403
1.5 Interest and other costs of finance paid	(18)	(24)
1.6 Income taxes paid	-	-
1.7 (a) Other income	-	9
(b) GST refunds received	1,364	4,153
<b>Net Operating Cash Flows</b>	<b>(9,127)</b>	<b>(16,036)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(154)	(521)
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	400	1,359
<b>Net investing cash flows</b>	<b>246</b>	<b>838</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(8,881)</b>	<b>(15,198)</b>

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

1.13	Total operating and investing cash flows (brought forward)	(8,881)	(15,198)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds (net) from issues of shares, options.	9,229	13,773
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>		9,229	13,773
<b>Net increase (decrease) in cash held</b>		348	(1,425)
1.20	Cash at beginning of quarter/year to date	7,691	9,464
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter (*)</b>	8,039	8,039

\* On 11 April 2012 the Company completed a private placement of \$11,050,000 (before costs).

**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	177
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, consulting fees 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

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Nil

### 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	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	3,319
4.2 Development	-
4.3 Production	-
4.4 Administration	2,400
<b>Total</b>	<b>5,719</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	8,039	7,691
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> * (item 1.22)	<b>8,039</b>	<b>7,691</b>

\* On 11 April 2012 the Company completed a private placement of \$11,050,000 (before costs).

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**Changes in interests in petroleum permits and 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	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> <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>	1,253,376,265	1,253,376,265		
7.4 Changes during quarter (a) Increases through issues (b) Increases through exercise of options (b) Decreases through returns of capital, buy-backs	180,071,423 - -	180,071,423 - -	\$0.055 (5.5 cents)	\$0.055 (5.5 cents)
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
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> (description and conversion factor)			<u>Exercise price</u>	<u>Expiry date</u>
		302,875,956	302,875,956	\$0.16	31 Mar 2014
		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	28,571,431	28,571,431	\$0.16	31 Mar 2014
7.9	Exercised during quarter	0	0	-	-
7.10	Expired during quarter	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
	Cancelled during quarter	0	0	-	-
7.11	<b>Debentures</b> (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: 30 April 2012...

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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