

Central Petroleum Limited

ABN 72 083 254 308

Operations Report and ASX Appendix 5B For the Quarter ended 30 June 2012

HIGHLIGHTS

- **First oil to market is a significant milestone for the Company.**
 - **Further exploration and appraisal work at and around the Surprise prospect is proceeding.**
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Review of Operations and other Joint Venture Activities for the June 2012 Quarter (“the Quarter”)

EP115 (western Amadeus Basis), Northern Territory (CTP 100%)

Extended Production Testing (EPT) – first oil to market

The Surprise Extended Production Test (EPT) was a significant milestone in Central Petroleum's history with oil flow commencing on 20 June 2012 following approval from the Northern Territory Department of Resources (NTDOR) with first oil delivered to market in early July 2012.

A Crude Oil Sale and Purchase Agreement was signed for the length of the EPT, which is three months, and allows the Company to commence receiving its first oil sale cash flows. Should a Production Licence for the Surprise discovery area be granted by the NTDOR then the Company intends executing a further purchase agreement to cover licence production.

EPTs are an important part of appraising new oil discoveries. They are important for the evaluation of the productivity and various physical characteristics of a reservoir. Understanding a reservoir's optimal potential will help the Company reduce production and development risks. In particular, EPTs are used to:

- estimate reservoir volume and confirm reserves for field development;
- confirm long-term reservoir deliverability;
- pilot future facility designs during actual field development; and
- obtain additional production-related data, such as water cut, sand production, and well deliverability.

The Company believes undertaking an extensive EPT together with the seismic acquisition (see below) will assist in minimising risks related to developing the field for long-term, sustained production. Based on successful testing and favourable reservoir results during the EPT, Central plans to design a Development Program for Surprise and apply for the relevant governmental approvals.

Meanwhile, infrastructure upgrades to assist our production aspirations continue with the Kintore bypass road and improvement to the existing Surprise access road which was completed in early June and is currently being used to truck oil sales to market. In addition, Central recently purchased and set up a 20-man camp at the Surprise location which is being used during the EPT and will be used for future appraisal and drilling activity.

Seismic Acquisition

Central commissioned a 3D seismic program over the greater Surprise structure to assist with its understanding of the discovery. Our technical teams carefully coordinated operations of the EPT with seismic data collection to avoid seismic interference.

The 3D seismic program over 82km² of the Surprise structure in EP-115 in the Northern Territory was completed in early July. Data processing will follow. The seismic crew and equipment was then mobilised to the northern part of the Pedirka Basin across the EP-97 Pellinor Block.

With the information garnered from the EPT and the seismic the Company should be in a position to determine the requirements for the long term production of the Surprise discovery by the end of the year.

EP-97 (Pellinor Block) Pedirka Basin, Northern Territory (CTP 80%, Rawson Resources 20%)

After finishing the 3D seismic acquisition programme in EP-115 in early July 2012 the seismic crew moved to the EP-97 area and at the date of this report the 96 line km 2D seismic acquisition programme is in progress with data recording expected to be completed in August/September 2012. Data processing will follow.

Other Petroleum Licence Areas

Central staff continued to carry out various reviews, interpretations and evaluations of existing data over the awarded permit areas and application areas.

Geothermal Permits

The Company relinquished its three geothermal exploration permits during the Quarter. The geothermal permits were considered to be non-core relative to Central's other conventional and unconventional acreage holdings. They contained heavy expenditure obligations over the next four years, including \$7 million in the next two years, and were viewed as not constituting the best use of Central's financial and management resources.

The Company canvassed expressions of interest for both farmin and acquisition opportunities as an alternative to the relinquishment of the geothermal exploration permits and received no interest from any party.

Mineral / Coal Interests

As previously advised to the market, Central is evaluating alternative ways to deliver to shareholders optimum value for its early stage coal discoveries in central Australia.

This may be a farm-out deal, a separate listing of the coal assets in a new corporate entity, or possibly an asset sale or sales if that is deemed the best outcome.

With the Company moving towards a more focussed approach to its core business of oil and gas exploration and development and given that its extensive coal assets are at an early stage of exploration, the coal assets are viewed as non core. Central's plan is to deliver maximum shareholder value in a manageable timeframe and has consequently determined that its operational and financial resources need be applied to its core areas.

Farm-ins / Farm-outs

There were no farm-in or farm-out deals completed in the Quarter. However, commercial discussions have and continue to take place with various parties who have accessed the data room. The Company hopes to be in a position to announce a significant and favourable commercial partnership in the near future.

The Company reiterates that it intends to participate with capable and well-funded project partners with the ability to conduct extensive exploration programs which will importantly assist in de-risking Central's extensive onshore acreage portfolio.

Legal Action with Drilling Contractor

During the Quarter the Company continued preparing 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.

Legal Actions with Petroleum Nominees Pty Ltd (a Clive Palmer company) (“PNPL”)

The Company and the current directors have reached an accommodation with PNPL which led to the withdrawal of director consents to act announced on 19 July 2012 and a standstill of the various legal actions with PNPL. The details of a permanent settlement are being documented and will be binding on the parties once such documentation is signed.

Legal Action with John Heugh

On 26 March 2012 the Company advised that it had terminated the employment of Mr John Heugh. Mr Heugh commenced an action in the Supreme Court of Western Australia against the Company disputing the Company's termination of his employment. The Company will defend the action vigorously.

On 13 April 2012 the Company advised that Mr Heugh had served an application seeking an injunction in the Supreme Court of Western Australia to restrain the Company from:

- (i) taking any steps to call a general meeting of members of the Company to consider a resolution that John Phillip Heugh be removed as a director of the Company; or
- (ii) further or alternatively from moving such resolution at any general meeting, pending the hearing and determination of Mr Heugh's legal action disputing the Company's termination of his employment (as announced on 26 March 2012).

On 17 April 2012 the Company advised that the injunction application brought by Heugh had been dismissed by the Court. Mr Heugh was ordered to pay the Company's costs of the application.

Corporate

Board of Directors

As a result of shareholders voting at three shareholder meetings convened during June and July 2012 the members of the Company's board of directors are Dr Henry Askin and Messrs Richard Cottee, William Dunmore, Wrixon Gasteen, Michael Herrington and Andrew Whittle.

Dr Henry Askin is Chairman of the Board and Mr Andrew Whittle is Deputy Chairman. Mr Richard Cottee has been appointed Managing Director and is Chief Executive Officer.

Cash Position

The Company started the Quarter with \$8.04 million in cash and at 30 June 2012 held \$12.1 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 with the balance coming from GST refunds and interest income. On 11 April 2012, the Company completed a private placement of \$11.05 million (before costs) to sophisticated and institutional investors. By 30 June 2012 the Company had produced a quantity of oil from the Surprise well which it has booked into inventory. There are no oil sales proceeds (cash received) during the Quarter.

Cash expenditures for the Quarter were principally on exploration and EPT capital and operating costs in EP115(Surprise) and on corporate overheads.



Richard Cottee
Managing Director
31 July 2012

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 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.

Central is not the sole source of the information used in third party papers, reports or valuations ("Third Party Information") as referred herein and Central has not verified their content nor does Central adopt or endorse the Third Party Information. Content of any Third Party Information may have been derived from outside sources and may be based on assumptions and other unknown factors and is being passed on for what it's worth. The Third Party Information is not intended to be comprehensive nor does it constitute legal or other professional advice. The Third Party Information should not be used or relied upon as a substitute for professional advice which should be sought before applying any information in the Third Party Information or any information or indication derived from the Third Party Information, to any particular circumstance. The Third Party Information is of a general nature and does not take into account your objectives, financial situation or needs. Before acting on any of the information in the Third Party Information you should consider its appropriateness, having regard to your own objectives, financial situation and needs. To the maximum extent permitted by law, Central and its directors, officers, employees, agents and representatives give no undertaking, representation, guarantee or warranty concerning the truth, falsity, accuracy, completeness, currency, adequacy or fitness for purpose of the any information in the Third Party Information.

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")

30 June 2012

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	(3,199)	(17,480)
(b) development	-	-
(c) production	-	-
(d) administration	(2,228)	(8,524)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	145	548
1.5 Interest and other costs of finance paid	2	(22)
1.6 Income taxes paid	-	-
1.7 (a) Other income	-	10
(b) GST refunds received	85	4,238
Net Operating Cash Flows	(5,195)	(21,230)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(662)	(1,184)
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	(265)	1,094
Net investing cash flows	(927)	(90)
1.13 Total operating and investing cash flows (carried forward)	(6,122)	(21,320)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(6,122)	(21,320)
Cash flows related to financing activities			
1.14	Proceeds (net) from issues of shares, options.	10,188	23,961
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		10,188	23,961
Net increase (decrease) in cash held		4,066	2,641
1.20	Cash at beginning of quarter/year to date	8,039	9,464
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter (*)	12,105	12,105

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	472
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Includes director's fees, consulting fees and salaries of executive directors

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	4,000
4.2 Development	-
4.3 Production	-
4.4 Administration	1,500
Total	5,500

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	12,105	8,039
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter * (item 1.22)	12,105	8,039

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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 resource tenements and permits relinquished, reduced or lapsed	GEP 27833 GEP 27834 GEP 27835	Geothermal Permit Geothermal Permit Geothermal Permit	100% 100% 100%	Nil Nil Nil
6.2 Interests in resource tenements and permits 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 Preference securities <i>(description)</i>	-	-		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	1,383,376,265	1,383,376,265		
7.4 Changes during quarter (a) Increases through issues (b) Increases through exercise of options (b) Decreases through returns of capital, buy-backs	130,000,000 - -	130,000,000 - -	\$0.085 (8.5 cents)	\$0.085 (8.5 cents)
7.5 +Convertible debt securities <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	Options (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
		65,000,000	0	\$0.125	31 Mar 2015
7.8	Issued during quarter	65,000,000	0	\$0.125	31 Mar 2015
7.9	Exercised during quarter	0	0	-	-
7.10	Expired during quarter	0	0	0	0
	Cancelled during quarter	0			
7.11	Debentures (totals only)				
7.12	Unsecured notes (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 July 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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