

# Central Petroleum Limited

ABN 72 083 254 308

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

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### HIGHLIGHTS

- Entered into farmouts with Total (Southern Georgina Basin) and with Santos (Amadeus and Pedirka Basins) such that \$78 million of exploration expenditure will occur in the fifteen months following those farmouts becoming unconditional.
  - Farmout strategy maximises options to fund and de-risk exploration without requiring additional capital raising.
  - Successful completion of the Surprise Extended Production Test ('EPT') and 3D seismic.
  - Operating efficiencies and cost cutting combined with reimbursements will contribute to a projected increase in cash in hand at the end of the March Quarter.
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## **Review of Operations and other Joint Venture Activities for the Quarter ended 31 December 2012 (“the Quarter”)**

### **Farmouts**

On 6 November 2012, Central Petroleum Limited (“Central” or “Company”) announced a multi-stage farmout agreement with French energy company Total for the exploration of approximately 6 million acres (“SGB farmout”). The agreement covers the four highly prospective areas in the Southern Georgina Basin in central Australia, namely ATP(A)909, ATP(A)911, ATP(A)912 in Queensland and EP(A)132 in the Northern Territory.

The exploration will start with an investment by the joint venture of US\$60 million for stage one, with the first US\$48 million being contributed by Total. At Total’s election, a further US\$130 million will be spent for stages two and three of the exploration and appraisal program. Should Total continue and fulfil its funding obligations for stages 2 and 3, it will earn in increments to a total of 68% in the permits. Total is required to fund 80% of exploration and appraisal costs over four years.

Central will operate the farmout areas for the first four years and after completion of stage 3, Total will assume operatorship for 90% of the area, with Central retaining operatorship of the upstream activities for the remaining 10%.

The Queensland Department of Environment and Heritage Protection has issued the Company with environmental approvals for the Queensland applications. The Company anticipates that final exploration permits (Authority to Prospect) will be issued imminently. Meanwhile the Company is progressing with its resource build up to execute the planned work program.

In the previous Quarterly Operations Report (September 2012 Report) Central announced the farmout to Santos Limited. That farmout deal is proceeding smoothly with approximately 75% of the required government approvals having been obtained and all conditions precedent are expected to be completed by the end of the first quarter of 2013. This deal will see Santos spending up to \$150 million for the further exploration and potential development of up to 13 permit/application areas in the Amadeus and Pedirka Basins in central Australia.

Under the farmout agreement, Santos will fund exploration by investing an initial \$30 million, with options to invest a further \$60 million in stage two and a further \$60 million in stage three. In return, Santos will earn rights of up to 70% in an area totalling nearly 80 thousand square kilometres. Santos will assume operatorship during exploration and development. Central will benefit from a free carry during the farmout period.

The Santos and Total farmout areas together cover around 30 per cent of the Company’s exploration acreage.

Importantly, approximately 2.4 million acres in EP115 in the Amadeus Basin, including the area around the Surprise discovery, are outside of the farmout areas and Central retains a 100% working interest. The Company believes the North-Western Amadeus Basin around the Surprise discovery to be highly prospective and the Company is pursuing all avenues for developing this discovery at the lowest cost of capital in order to maximise shareholder value.

### **Petroleum Interests**

#### **EP115 (Surprise 1 and surrounds in North-Western Amadeus Basin), Northern Territory (CTP 100%)**

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

The Surprise 1 well was shut in on 5 November 2012 and the Extended Production Testing (EPT) operation was finalised on 8 December 2012 following a data gathering period (pressure build up) on the reservoir.

The EPT saw first oil flow commencing on 20 June 2012 following approval of a three month EPT. First oil was delivered to market in early July 2012. A further three month EPT was obtained and by the completion of the EPT operation the well had produced over 10,000 barrels.

The oil was trucked to Santos' storage facilities at Port Bonython and subsequently sold. Central obtained an average price of A\$124 per barrel for its oil. All oil was shipped by mid December 2012 and Central received its final cash from EPT oil sales in January 2013.

The EPT flow rates stabilised between 200 – 400 BOPD without pump. Central anticipates that when production commences, higher flow rates will be achieved by pumping. Encouragingly, water produced during the production test remained below 10% and by the end of the test, had fallen to 3.2%. Pressure build-up on shut-in was quite rapid.

Early interpretation of the 3D seismic suggests that the scale of the structure could support additional wells.

In addition to the Surprise discovery, additional upside for a larger oil pool exists along a ridge structure to the southeast of the Surprise well. If this structure is found to be productive, it would significantly increase the size of the known pool.

Additionally, Central expects to evaluate the organically rich Horn Valley Siltstone (HVS), which occurs directly below the Surprise oil production horizon. The HVS is thought to be the source rock for the Surprise discovery, and is known regionally to contain rich shales and wet gas. It has the potential to be a large shale gas play covering thousands of square kilometres.

In addition to the HVS, there are also potential reservoir units deeper in the section are also worthy of further investigation. These potential plays can be evaluated, along with the HVS, by an additional 400m of drilling when combined with further completions to the the Surprise production horizon. This would give the Company a highly cost efficient look at a potentially significant regional shale resource and wet gas reservoir.

### **Seismic**

The 3D seismic across the Surprise discovery is being processed with its interpretation providing critical data for the construction of a reservoir model. Once constructed and audited, the reservoir model, together with an approved and budgeted development plan, should result in reserves being certified by an independent certifier and released to the market in the first quarter of 2013.

The 3D seismic confirms a potential extension to the southeast of the field area. The 3D seismic data, along with the EPT results, will influence the orientation of further wells and reduce further evaluation costs.

### **Development Planning**

The Company is now actively planning further appraisal and development of the Surprise discovery, including:

- completion of 3D seismic interpretation;
- completion of a static reservoir model;
- analysing potential future appraisal and production well locations;
- potential for working over earlier to enhance production; and
- potential cost efficiencies through development and operational coordination with neighbouring operators.

Central has retained 100% of Surprise and surrounds which preserves the opportunity to promote exploration and development with minimal additional capital using farmout arrangements or project finance instruments.

The construction of the reservoir model will be completed in the first quarter of this year. Following model completion, discussions can be held with key stakeholders including land owners, the Central Land Council, Traditional Owners, environmental agencies to ensure that proposed development will be completed to heritage requirements and consistent with good oil field and environmental standards.

## **EP-97 (Pellinor Block) Pedirka Basin, Northern Territory** (CTP 80% [before farmout to Santos], Rawson Resources 20%)

The recently acquired 2D seismic data has been processed and interpretation is at an advanced stage. Several interesting features that may be reef anomalies have been mapped to date. Central's farm-in into the EP97 Simpson, Pellinor and Bejah Blocks has been included in the Santos farmout deal and, accordingly, the Company will need to have Rawson's approval to include Santos in the EP97 farm-in blocks.

### **Mineral / Coal Interests**

With the Company moving towards a more focussed approach to its core business of oil and gas exploration and development and given that its coal assets are at an early stage of exploration, the coal assets are considered to be non-core.

### **Corporate**

#### **Development timetable and funding**

As a result of the farmout agreements, \$78 million of first stage exploration will occur over the first 15 months. This expenditure is equivalent to 85% of the total exploration dollars spent, and is approximately 500% of the Company's annual average exploration expenditure, since listing 7 years ago. Importantly, this initial exploration funding will be achieved without issuing any additional shares.

The Company expects to have the benefit of initial results of this exploration expenditure program prior to March 2014 when Central has 303 million 16 cent options due to be exercised or expire (ASX Code: CTPO). The results of this initial exploration expenditure will also de-risk the remaining areas making them potentially attractive for future farminees.

On the Surprise Project, Central anticipates that planning and permitting related to further appraisal and production development will be completed within the next 12 months with a decision on full scale development targeted for the third quarter of 2013. With operational commitments for the SGB farmout Central will meet the challenges of growing human resources and locating rigs and contractors, the availability of which may affect actual development timing.

At that time, Central will assess funding options for Surprise, including debt finance, farmout arrangements and existing options which, if fully exercised, would raise over \$48 million.

The timing of the Total and Santos farm-in agreements, the Surprise development and the exercise of the Company options are aligned to create an opportunity for the Company to utilise the existing options to fund further exploration and growth without additional shareholder dilution, whilst preserving the Company's ability to utilise debt or alternative development arrangements.

#### **Cash Position**

The Company started the Quarter with \$5.1 million in cash and at 31 December 2012 held \$2.1 million, both amounts inclusive of its share of cash held in Joint Venture bank accounts. However, as detailed below, as a result of a series of actions and events the Company's cash on hand position at the end of the March 2012 Quarter is forecast to be higher than at the beginning of the Quarter:

- (a) Central expects the farmout arrangements to become totally unconditional during the March 2013 Quarter. Once unconditional, Central is due to receive cash reimbursements from the farm-in parties;
- (b) The cost reductions implemented in the December 2012 half year are translating into lower cash burn rates for the Company's recurring expenditures. We have reduced the quarterly burn rate down from \$2.7 million last (September 2012) Quarter to \$2.1 million this (December 2012) Quarter and expect to bring this to around \$2.0 million for recurring expenditures in the next

(March 2013) Quarter. The G&A component of the burn rate (i.e. excluding salaries and manpower costs) has been managed down to 60% of levels over the previous same six month period. Employees will be re-deployed to work on the SGB farmout to accommodate the \$48 million joint venture expenditure under the recently formed joint venture. These costs are chargeable to the joint venture;

(c) Central received \$1.125 million (settlement amount plus interest) from the Century arbitration matter in January 2013. A further \$375,000 for settlement of legal costs associated with the arbitration is due to be received in February 2013;

(d) In January 2013 the Company received the balance of its oil sales proceeds generated during the EPT operations; and

(e) Central is due to receive refunds of a number of bond monies associated with certain seismic and drilling programs undertaken in prior years.

The Company believes that the initiatives it has taken should enable it to have sufficient cash reserves for the whole of this calendar year.

### **Office relocation**

Central has completed a smooth transition to relocate its head office to Brisbane. The Company will be better placed from its new base to act as operator in order to concentrate on the exploration and development of its permits, including in the Southern Georgina Basin, located in Queensland.

The Company's new contact details are:

Street address:	56-58 Jephson Street, Toowong, Queensland 4066.
Postal address:	PO Box 1571, Toowong DC, Queensland 4066.
Telephone No:	(07) 3181-3800 (+61 7 3181 3800 for International callers)
Fax No:	(07) 3181-3855
Company website:	<a href="http://www.centralpetroleum.com.au">www.centralpetroleum.com.au</a> (unchanged)
Email addresses:	unchanged.



Richard Cottee  
Chief Executive Officer  
31 January 2013

### 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 (prior to the farmouts referred above):

- EP-82 - Helium Australia Pty Ltd 100%
- 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 and EPA-124 – Ordiv Petroleum Pty Ltd 100%.
- 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 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Central Petroleum Limited

ABN

72 083 254 308

Quarter ended ("current quarter")

31 December 2012

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(744)	(6,501)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	63	155
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 (a) Other income (R&D refund) (b) GST refunds	- 419	987 728
<b>Net Operating Cash Flows</b>	<b>(2,358)</b>	<b>(9,415)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(500)	(500)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	(384)	(424)
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other – redemption/(lodgement) of security bonds	-	15
<b>Net investing cash flows</b>	<b>(884)</b>	<b>(909)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(3,242)</b>	<b>(10,324)</b>

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

1.13	Total operating and investing cash flows (brought forward)	(3,242)	(10,324)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	261	365
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>	261	365
	<b>Net increase (decrease) in cash held</b>	(2,981)	(9,959)
1.20	Cash at beginning of quarter/year to date	5,127	12,105
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	2,146	2,146

**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	280
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Including directors 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

Nil

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

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

	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 (net)	553
4.2 Development	-
4.3 Production	-
4.4 Administration	1,967
<b>Total</b>	<b>2,520</b>

\* This information is outflows only and does not reflect the effect of estimated inflows for the quarter.

**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	2,146	5,127
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>2,146</b>	<b>5,127</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			

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

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6.2 Interests in mining tenements acquired or increased

EP82 Magee Block	Working interest	86.12%	100%
EP125 Mt Kitty Block	Working interest	76.54%	100%

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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) (cents)	Amount paid up per security (see note 3) (cents)
7.1				
7.2				
7.3	1,386,978,365	1,386,978,365		
7.4				
	300,000	300,000	\$0.095 (9.5cents)	\$0.095 (9.5cents)
	2,200,000	2,200,000	\$0.11 (11 cents)	\$0.11 (11 cents)
	2,100	2,100	\$0.16 (16 cents)	\$0.16 (16 cents)
7.5				
7.6				

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

7.7	Options (description and conversion factor)			Exercise price	Expiry date
	Listed	302,873,856	302,873,856	\$0.16	31 March 2014
	Unlisted	7,500,000	0	Various	31 March 2014
		8,366,666	0	\$0.20	31 March 2014
		65,000,000	0	\$0.125	31 March 2015
		6,340,000	0	\$0.122	31 May 2015
		600,000	0	\$0.11	31 October 2015
		48,418,169	0	\$0.09	15 November 2015
		300,000	0	\$0.12	12 May 2016
		3,446,665	0	\$0.11	20 July 2016
		2,000,000	0	\$0.115	19 August 2016
		4,000,000	0	\$0.115	30 August 2016
		11,593,335	0	\$0.095	15 November 2016
		6,000,000	0	\$0.095	30 November 2016
		124,503,864	0	\$0.09	15 November 2017
7.8	Issued during quarter				
7.9	Exercised during quarter	300,000	300,000	\$0.095(9.5cents)	15 November 2016
		2,200,000	2,200,000	\$0.11 (11 cents)	20 July 2016
		2,100	2,100	\$0.16 (16 cents)	31 March 2014
7.10	Expired during quarter				
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 5).
- 2 This statement does /does not\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: .....Date: 31 January 2013  
 (Joint Company Secretary)

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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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