

# Central Petroleum Limited

ABN 72 083 254 308

## Operations Report and ASX Appendix 5B For the Quarter ended 30 September 2013

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### HIGHLIGHTS

- Cash position dramatically improved at close of September quarter.
  - \$7 million seismic campaign in Southern Georgina Basin concluded nine days early and on budget.
  - Successfully drilled Mt Kitty exploration well top-hole.
  - Surprise West Development estimated costs reduced by \$2million to \$11million total
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## Corporate

The September Quarter marked the end of Central Petroleum Limited's rebuilding and renewal phase, providing a platform for recognition of the inherent value of the Company's acreage.

Since the first Quarter of 2012 the Company's market capitalisation has increased by nearly 300% despite the small resources index falling by around 60%.

This is a significant achievement given that from its IPO in September 2006 until end of December 2011, the Company had suffered an erosion of share price by three quarters and market capitalisation had plateaued for more than three years.

In 2011 the Company tried to raise capital through two Share Purchase Plans (SPP), the first of which was such a failure that the small amount of capital raised was returned to shareholders. The 2nd SPP recorded a take-up of only 9%, despite being extended beyond the announcement of the Surprise discovery.

A series of graphs at the end of this report demonstrate the extent of the root and branch change in the management of the Company. Highlights include an 80% decrease in permanent staff turnover from the previous twelve month period and a reduction in gross expenditure on net general & administration expenses (including employee costs) of 17%, despite a 39% increase in permanent staff in the twelve month period to September 2013.

In this last 12 months staff turnover has diminished to being negligible, morale is excellent, and we have built a solid team with expertise to ensure continuity and effectiveness of all aspects of the business.

Central's joint ventures with Total and Santos are in the process of acquiring ~2800 km of 2D seismic data in the Southern Georgina and Amadeus basins. This eclipses the sum total of seismic acquisition in the Company's seven-year life to date. The insight derived from the new seismic data will enable Central and its partners to locate the most attractive targets in our expansive acreage. In the next 12 months a new annual record will be set by the Company with an increase in drilling activity to between 6 and 9 wells, providing the opportunities to unlock considerable resource potential across the portfolio.

## Cash Position

The Company started the Quarter with \$1.3 million in cash and at 30 September 2013 held \$15.4 million, both amounts inclusive of its share of cash held in Joint Venture bank accounts. Since 30 June 2013 Central has received two significant cash injections that are key to progressing its exploration and appraisal programs.

- (a) an R&D tax incentive refund of approximately \$5.9 million; and
- (b) \$10 million (net of costs) from a private placement of shares.

The Company will continue to maintain its fiscally prudent approach to cost management.

## Share Register

Following the recent private placement, which raised \$10 million and which is to be directed to the appraisal program at Surprise, around 15% of Central's stock is held by the Company's four largest shareholders. Central believes the placement has stabilised its equity register.

On 27 September 2013 shareholders approved a 5 to 1 consolidation of the Company's shares as a final step in restructuring the Company. This has resulted in the number of shares on issue reducing from 1,546,078,845 to 309,216,369. The Company's Board believes that consolidating the number of Shares on offer will help the Company achieve a transformation from a speculative explorer to a long-term institutional-grade investment.

## **Review of Operations and other Joint Venture Activities for the Quarter ended 30 September 2013 (“the Quarter”)**

### **Petroleum Interests**

#### **Southern Georgina Basin**

The Company, as Operator, completed the \$7 million seismic campaign conducted in ATP's 909, 911 and 912 in the Southern Georgina Basin during the quarter. 984 line kilometres of data were recorded and delivered nine days early and on budget.

Planning of a follow-up drilling program is well advanced.

#### **Southern Amadeus Basin**

In the Northern Territory, within EP125 the Mt Kitty exploration well top-hole was successfully drilled and cased to a depth of 785 metres. The main hole is expected to be drilled in the first quarter of 2014.

#### **North-Western Amadeus Basin**

##### **Surprise Project**

Central has completed the construction planning stage for the Surprise West Development and tested the market with respect to scheduling a drilling rig for the Surprise East Development. Based on this work, the budget to develop Surprise has been significantly lowered. The Company expects to commence the next development stage of Surprise West in the fourth quarter of 2013.

Some modifications have been made to development plans including sizing the oil storage from 3 to 8 days of production and locating the camp at the same site as that used previously for the Extended Production Test. Further savings are anticipated by co-ordinating the drilling of Surprise East with the timing of suitable rigs becoming available. This flexibility has been enabled by the optimised “work-over” programme for Surprise West which now does not necessarily require a drilling rig.

With nearly half of the Surprise West Development now under contract, Central has been able to lock in savings of over \$2 million, decreasing the total budgeted cost of the combined Surprise projects (“Surprise Project”) from \$13 million to \$11 million, with further cost reductions possible once the drilling contract is finalised.

An additional advantage of drilling flexibility allows for early revenue from Surprise West to offset the costs of drilling Surprise East. It also de-risks that drilling activity through data gained from Surprise West production whilst preserving optionality for future development.

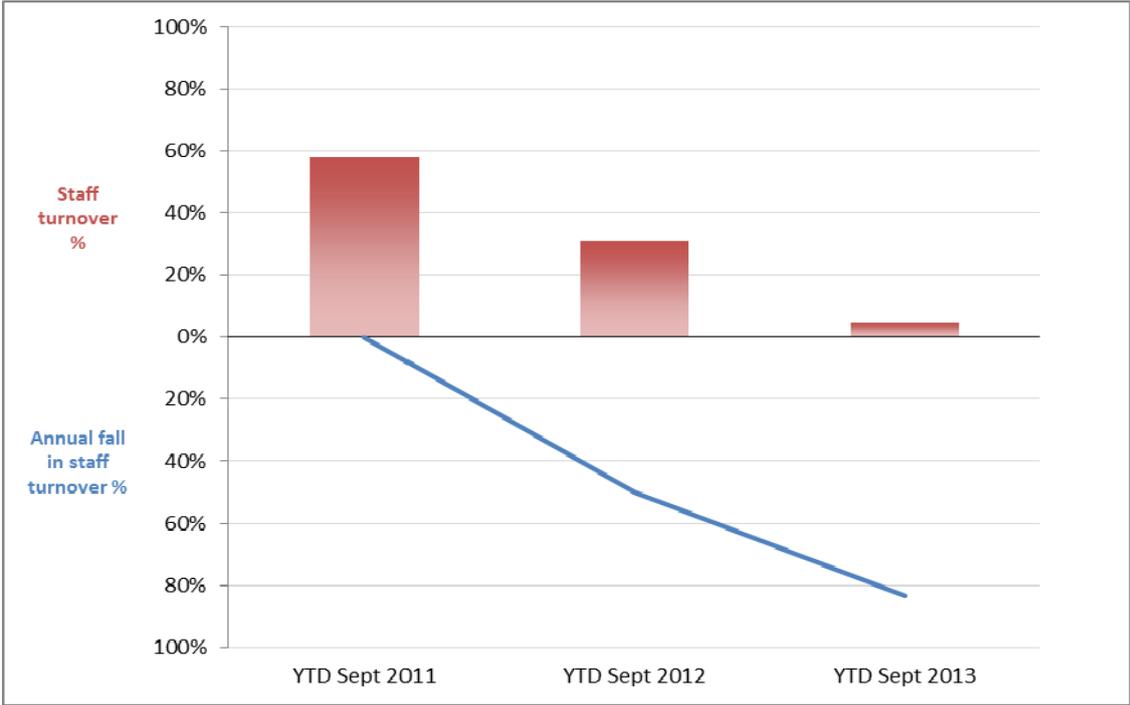
##### **Northern Territory Department of Mines recommendation for approval**

In October 2013 the Company received the Northern Territory Department of Mines (“DME”) recommendation for approval of the Surprise Production Licence. On receipt of a letter from the Central Land Council confirming a production agreement is in place with the Company, the DME will be in a position to award the Production Licence.

##### **Central Land Council conceptual agreement reached**

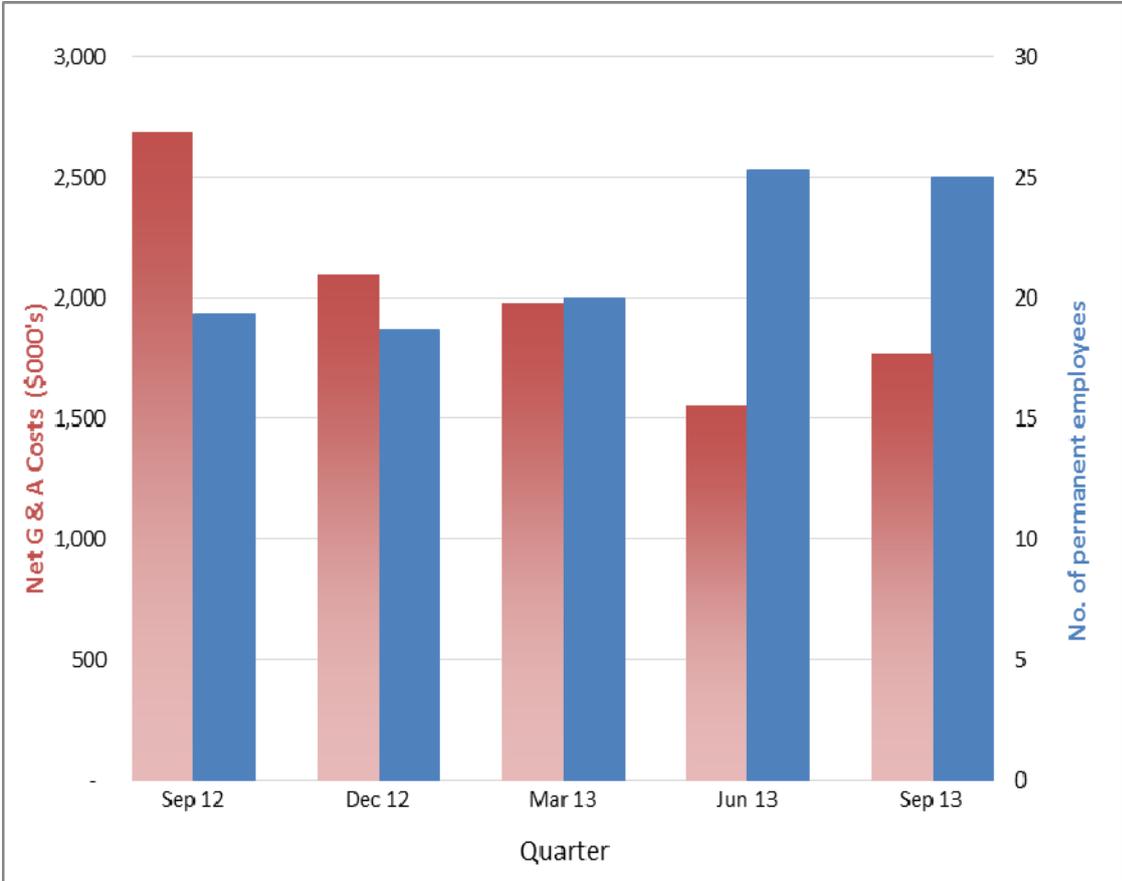
We are also pleased that we have reached a conceptual agreement with the Central Land Council on the Production Agreement for Surprise in early October. This conceptual agreement has been documented and presented to the Traditional Owners at a meeting held on 23 October 2013. At that meeting the Traditional Owners were provided with another opportunity to be informed about the benefits and impact of the Surprise Development and overall feedback was positive.

**Staff Turnover (unaudited)\***



\* Permanent staff in Head Office and Alice Springs.

**Employee numbers v Net G&A expenditure (unaudited)**



Richard Cottee



Managing Director  
31 October 2013

**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.

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## 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")

30 September 2013

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 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	(821)   (1,772)	(821)   (1,772)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	42	42
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid		
1.7 (a) Other income (b) GST refunds	6,670 -	6,670 -
<b>Net Operating Cash Flows</b>	<b>4,118</b>	<b>4,118</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	-  (22)	-  (22)
1.9 Proceeds 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	10	10
<b>Net investing cash flows</b>	<b>(12)</b>	<b>(12)</b>
1.13 Total operating and investing cash flows (carried forward)	4,106	4,106

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

1.13	Total operating and investing cash flows (brought forward)	4,106	4,106
<b>Cash flows related to financing activities</b>			
1.14	Proceeds (net) from issues of shares, options, etc.	9,950	9,950
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>	9,950	9,950
	<b>Net increase (decrease) in cash held</b>	14,056	14,056
1.20	Cash at beginning of quarter/year to date	1,308	1,308
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	15,364	15,364

**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	592
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Comprises directors fees, salaries of executive directors and consulting fees paid to directors or director related entities.

**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 (Note 1)

	\$A'000
4.1 Exploration and evaluation (net)	250
4.2 Development	2,500
4.3 Production	-
4.4 Administration	1,550
<b>Total</b>	<b>4,300</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	15,364	1,308
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>15,364</b>	<b>1,308</b>

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

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

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

7.6	Changes during quarter (a) Increases through issues  (b) Decreases through securities matured, converted				
7.7	<b>Options</b> <i>(description and conversion factor)</i>			Exercise price	Expiry date
	Listed	60,574,832	60,574,832	\$0.80	31 March 2014
	Unlisted	65,473,084	0	Various	Various
7.8	Issued during quarter	4,379,333	4,379,333	\$0.45	15 November 2015
7.9	Exercised during quarter				
7.10	Cancelled during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

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## 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 ~~not~~\* (*delete one*) give a true and fair view of the matters disclosed.



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

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

## 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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