

29<sup>th</sup> January 2010

The Manager  
Company Announcements Office  
Australian Stock Exchange Limited  
20 Bridge Street,  
SYDNEY NSW 2000

**QUARTERLY REPORT AND APPENDIX 5B  
OCTOBER TO DECEMBER 2009**



## **REVIEW OF OPERATIONS**

### **Corporate Objectives**

The Company's main goal is to discover and produce hydrocarbons and helium, thereby maximising shareholder returns by enhanced share value and potentially by dividend payments. It aims to operate a central Australian petroleum hub connected to appropriate infrastructure to allow the export to domestic and overseas markets of both primary energy resources and value added petroleum and helium products.

Within the constraints of current Joint Ventures, the Company plans to potentially capitalise on early cash flow from any oil discoveries but early cash flow may be possible from helium production and sales and this is regarded as an intrinsic part of the Company's overall strategy for relatively short term cash flow. The Company and some of its Joint Venture participants are actively studying potential to monetise relatively low volume helium production and sales at field based operations to produce either cryogenically or compressed helium suitable for transport to Port Darwin and thence to national and international markets without the necessity for a very large scale centrally located GTL or other value adding plant.

The Company is also in the longer term seeking to build gas resources to a threshold point where value-adding processes such as LNG and/or GTL for example can be brought into play. Apart from conventional gas reservoir potential, the Company has had independent estimates of over 10,000 trillion cubic feet in UCG "syngas" prospective recoverable resources and as well has produced in-house estimates coupled with external independent reports of up to c.200 trillion cubic feet of gas in CSG and other unconventional reservoirs such as shale gas and shale oil.

The substantial cash injection received by the Company during the June 30 quarter 2009 and ongoing drawdowns each 45 days of the Asia Convertible Bond Opportunities LLC rolling convertible bond has provided the Group with the resources to enable it to carry out an expanded works program in Central Australia, where the Company has numerous prospective permits.

### **Exploration, Joint Venture Activities and Highlights of the Quarter.**

#### *Phase One 2009/10 Programme*

With farm-in participants Petroleum Exploration Australia Limited, Trident Energy Limited, He Nuclear Limited, Red Sky Energy (NT) Pty Ltd and Rawson Resources Limited the Company and its wholly owned subsidiaries has commenced a \$32 million Phase One 2009/10 exploration programme consisting of 5 fully cored coal seam gas wells (CSG) wells in the Pedirka Basin, 1,450 line km of 2D seismic over the broad width of the Company's permits and the drilling of Ooraminna 2, a large gas prospect close to Alice Springs which has flowed gas to surface already in a previous well drilled in 1963.

CSG wells CBM93-004 and CBM93-003 have been completed with the results to date that 144m of coal cumulative total in seams over 1m in thickness with various levels of gas ranging from low to excellent have been described in CBM93-004. In CBM93-003, although total coal penetrated was unexpectedly only several metres in cumulative thickness, re-interpretation of existing seismic indicates that much thicker sequences of coal would be encountered on the flanks of the structural high that was drilled. A second interesting result was that trace remnant residual oil was encountered in sands of the Permian Purni Formation in the second well, thus underscoring once again the fundamental prospectivity for oil in the Pedirka Basin. Further studies are in hand on the data obtained in both of these wells to enhance the understanding of the basin architecture as well as CSG and UCG potential.

### *Phase Two 2010 Programme*

The planning of a second major exploration drive has commenced with the various Joint Venture participants approving the planning and tendering process without final commitment on a c.\$65 million regional and prospect centred programme consisting of:

- 3 conventional wells (it is planned conditionally to reduce mob and demob costs proportionately by including Ooraminna 2 -gas in EP 82 to be drilled by the same drilling rig back to back with the Phase Two wells consisting of, Johnstone 1-or substitute oil well in EP 115, Magee 2-gas, condensate and helium in EP 82 and an oil well in the EP 97 Rawson Resources Limited farmin Simpson prospect block).
- 10 CSG wells in the Pedirka Basin.
- 2,000 line km of 2D seismic.

Final commitment to the Phase Two programme awaits the results of the current Phase One programme and the approval of the various joint venture participants.

### *Energy Infrastructure Limited/Great Southern Gas Limited EPA 130*

On 9 August 2009, Energy Infrastructure Limited (EIR) and the Company reached agreement on the terms of the farm-out by the Company of a 25% participating interest in the yet to be granted EPA 130. The agreed terms include the Company remaining as Operator, ongoing premium reserve payments to the Company of \$10,000,000 per potential discovery tranche of 3P reserves of one trillion cubic feet of gas or oil equivalent and a 60% for 25% "promote" on the costs of initial exploration including the first 3 wells and the first \$3 million of seismic. The agreement was subject to Board approval of final documentation and subject to the grant of the permit application. EIR is an unlisted public company headed up by Mr Rohan Gillespie, a former BHPB executive and under the terms agreed, EIR could have nominated another company in place of itself in the proposed formal agreement. The Company was since advised by Great Southern Gas Limited, (GSG), an existing farmin participant in EPA 130 headed up by Rohan Gillespie, that GSG was exercising its pre-emptive rights over the EIR offer and on 3 December 2009, a formal farmout agreement with GSG and Merlin Energy Pty Ltd (one of the Company's wholly owned subsidiaries) was executed. This means that if GSG contribute fully to their obligations as a Joint Venture participant, then GSG will fund 100% of the farmin phase of 3 wells and \$3 million of seismic in this permit, subject to the successful grant of the permit.

### *Red Sky Energy (NT) Pty Ltd Broadacre Joint Venture*

On 30 September 2009, at the end of the previous quarter, the Company, its relevant wholly owned subsidiaries and Red Sky Energy (NT) Pty Ltd (ROG), a wholly owned subsidiary of the ASX listed Red Sky Energy Limited, executed a farmout agreement whereby the Company exercised its right to assign to ROG a 10% Participating Interest in the following granted permits and applications EP-82 (remaining area outside of the Magee Prospect Block), EP-93, EP-105, EP-106, EP-107, EP-112, EP-115, EP-118, EP-125 (remaining area outside of the Mt Kitty Prospect Block), EPA-92, EPA-111, EPA-120, EPA-124, EPA-129, EPA-131, EPA-132, EPA-133, EPA-137, EPA-147, EP-149, EP-152, EPA 160, ATP-909, ATP- 911, ATP-912, PELA -77, PEPA 16/08-9, PEPA 18/08-9, and PEPA 17/08-9.

The agreement calls for ROG to fund at the 2:1 promoted level the first 20% of the next three wells and the next \$3 million of seismic in each of the permits and applications subject to grant. In addition ROG will pay the Company a reserve premium of \$5 million indexed to various production standard prices from time to time for each incremental 3P (proved, probable and possible) trillion cubic feet of gas or oil equivalent at final investment decision which may be discovered in the Joint Venture area.

It was the Company's view that PXA was obliged to execute certain ancillary documents to enable the full entry of ROG into the Joint Venture and, for some time, PXA refused to execute these documents. As a result, the matter was referred to arbitration for determination. Late in the quarter concerned, ROG advised that it had reached "further agreement" with PXA (the details of which are as yet unknown to the Company). This "further agreement" apparently resulted in PXA executing the required ancillary documents with an agreed date of execution of 30 September 2009 and ROG was formally admitted to the Joint Ventures concerned.

The Company has continued with the arbitration process, principally to recover its legal costs. At the time of preparation of this report, the Company was awaiting advice from PXA as to whether it would

provide the Company with a copy of the "further agreement" and other documents. If PXA does not agree to provide the Company with access to these documents by close of business on 29 January 2010, it is the Company's intention to make an application in the Supreme Court of Western Australia for "pre-action discovery" in respect of the "further agreement" and other documents.

### **Management Changes**

Mr Daniel White was appointed as Group General Counsel on 19 October 2009 following the identification of a need to fast track the Company's legal affairs and to more effectively manage the Company's joint venture relationships. Mr White also has additional duties to assist in business development and the evaluation and management of acquisition opportunities that the Company may become involved in. Prior to his appointment by the Company, Mr White was based in Kuwait as Group General Counsel of Kuwait Energy which has 42 assets in over 8 countries and is currently producing 10,000 barrels of oil per day from a reserves base of over 40 MMBbls of oil and oil equivalent at 2P level. Mr White's role at Kuwait Energy was to manage the company's legal affairs and provide strategic legal advice to its global business units and joint ventures.

There have been no other management changes in the Company since the release of the September 2009 quarterly report.

### **Helium Extraction and Marketing**

The Company has appointed Dr Michael Clarke of M.E.T.T.S. Pty. Ltd. (Consulting Engineers, Resource & Infrastructure Development) and Negotiacion Pty Ltd to provide a pre-feasibility study of costs, processes and potential markets for helium extracted from relatively low volume gas production from prospects thought to potentially host helium in the Amadeus Basin. The Company is involved in a joint venture in the Mt Kitty and Magee prospect blocks in the southern portion of EP 125 and EP82 respectively and has reason to believe that the area has potential to host volumes of gas, condensate and helium with a concentration of 5% or more. The Magee 1 well, drilled by Pacific Oil and Gas in 1992 flowed such a gas mixture to surface with a helium concentration of 6.2%, unusually high, from the subsalt Heavitree Formation. The Company and its joint venture participant, He Nuclear Limited, have committed to additional seismic over the Magee prospect and other prospects in the area as part of the Phase One 2009/10 exploration programme and, subject to the analysis of this further seismic, plans conditionally on drilling the Magee 2 well in 2010 targeting up to 0.8 TCFG and 15 BCF of helium in Undiscovered Gas Initially In Place.

### **Financial**

The financial statements show the cash movements and other information for the quarter ended 31 December 2009. In summary, cash at the beginning of the quarter was \$35.2 million and cash at the end of the quarter was \$33.4 million, representing a net decrease in cash of \$1.8 million. Equity issues during the quarter raised a total \$1.78 million after deducting share issue costs. Cash outlays for the quarter of \$3.6 million mainly reflects payments for exploration costs with lesser expenditure on administration, legal, environmental, heritage and sacred site clearances.

Yours sincerely,  
Central Petroleum Limited



John Heugh  
Managing Director

*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 CTP in this announcement or report have not been reviewed by either Petroleum Exploration Australia Limited (PXA), QGC, Trident Energy Limited (TRI), He Nuclear Limited (HEN) or Red Sky Energy Limited (ROG). Therefore those resource estimates, assessments of exploration results and opinions represent the views of the Company only and not those of PXA, QGC, TRI, HEN or ROG. The company, CTP, is interested in UCG and/or UCTL applications in its own right, outside of the current Joint Venture with PXA and reference to UCG potential represent the view of the company only and do not reflect the views of PXA, QGC, TRI or ROG.*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**Central Petroleum Limited**

ABN

**72 083 254 308**

Quarter ended ("Current Quarter")

**31 December 2009**

### 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 and evaluation	(2,938)	(3,814)
(b) development	-	-
(c) production	-	-
(d) administration	(957)	(1,831)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	245	488
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(3,652)</b>	<b>(5,159)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(109)	(147)
1.9 Net Proceeds from sale of: (a)prospects	-	-
(b)equity investments	175	175
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – security deposits for restoration obligations	-	(14)
<b>Net investing cash flows</b>	<b>66</b>	<b>14</b>
1.13 Total operating and investing cash flows (carried forward)	(3,586)	(5,145)

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(3,586)	(5,145)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds (net) from issues of shares, options, etc.	1,773	2,641
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>	<b>1,773</b>	<b>2,641</b>
<b>Net increase (decrease) in cash held</b>			
		(1,813)	(2,504)
1.20	Cash at beginning of quarter/year to date	35,240	35,931
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>33,427</b>	<b>33,427</b>

**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	141
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

**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

N/A

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

+ See chapter 19 for defined terms.

### 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 (Convertible Rolling Bond Facility *)	71,000	-
3.2 Credit standby arrangements	-	-

\* Bonds are issued in tranches of \$1,000,000 each. Each tranche must be fully converted into ordinary shares of the Company before subscription and issue of the next tranche can be completed.

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	9,741
4.2 Development	-
<b>Total</b>	<b>9,741</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	31,420	33,805
5.2 Deposits at call	2,007	1,435
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>33,427</b>	<b>35,240</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	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

+ See chapter 19 for defined terms.

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

**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 (Note 3)	Amount paid up per security (see Note3)
7.1 <b>Preference +securities</b>	-	-		
7.2 Changes during Qtr (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	593,433,308	593,433,308		
7.4 Changes during Qtr (a) Increases through issues (b) Increase through exercise of options (b) Decreases through returns of capital, buy-backs	8,527,434 8,051,528 48,005	8,527,434 8,051,528 48,005	11.73 cents 12.42 cents 16 cents	11.73 cents 12.42 cents 16 cents
<b>+Convertible debt securities</b>				
7.6 Changes during Qtr (a) Issues (b) Decreases				
7.7 <b>Options</b> ( <i>description and conversion factor</i> )	153,554,302 95,947,703 300,000 21,250,000 7,000,000 1,800,000 11,000,000 1,450,000 200,000 500,000 666,666 1,000,000 250,000 200,000 7,500,000 8,366,666	153,554,302 95,947,703 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	<i>Exercise price</i> \$0.16 \$0.25 \$0.25 \$0.20 \$0.20 \$0.20 \$0.30 Various \$0.30 \$0.33 \$0.30 \$0.25 \$0.25 \$0.25 \$0.25 Various \$0.20	<i>Expiry date</i> 31 Mar 2014 30 Jun 2010 31 Jan 2010 31 May 2010 20 Feb 2011 30 Nov 2010 03 Jan 2012 31 Mar 2011 31 Jul 2011 31 Aug 2011 17 Nov 2011 19 Jan 2012 16 Feb 2012 23 Feb 2012 31 Mar 2014 31 Mar 2014
7.8 Issued during quarter	0	0		
7.9 Exercised during Quarter	48,005	48,005	\$0.16	31 Mar 2014
7.10 Expired during Qtr	0	0	\$0.25	17 Nov 2011
7.11 <b>Debentures</b> ( <i>totals only</i> )				
7.12 <b>Unsecured notes</b> ( <i>totals only</i> )				

+ See chapter 19 for defined terms.

## 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:

Date: 29 January 2010

(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 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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+ See chapter 19 for defined terms.