

Central Petroleum Limited

ABN 72 083 254 308

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

HIGHLIGHTS

- Entered into a farmout deal with Santos which results in a free carry for Central.
 - Subsequent to the end of the Quarter Central announced a settlement with Century Energy Services Pty Ltd.
 - First oil to market from the Surprise Extended Production Test ('EPT').
 - Planning for further exploration and appraisal work at and around the Surprise prospect.
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Review of Operations and other Joint Venture Activities for the September 2012 Quarter (“the Quarter”)

Farm-outs

At the end of the Quarter (on 2 October 2012) the Company announced that it had entered into a joint venture with partner Santos Limited ('Santos') which will see Santos spending up to A\$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 farm-out 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 to up to 70% of the area totalling nearly 80 thousand square kilometres. Santos will assume operatorship of the fields during exploration and in the event that they are developed.

Central will benefit from a free carry, assuming Santos agrees to advance at each of the exploration stages. This will effectively fund the exploration requirements of the permits which would otherwise be obligations on Central shareholders. Central also retains an interest of at least 30% of the permits/applications.

The Company believes shareholders can take comfort from the fact that the urgent need to raise capital to meet exploration commitments had now dissipated.

The agreement with Santos remains subject to Central successfully renewing the relevant permits

Following the farmout to Santos, Central retains 100% interest in more than 2 million acres in EP115 in the Amadeus Basin including the area around the Surprise discovery. The Company believes the Northern Amadeus Basin around the Surprise discovery to be highly prospective.

The Company has also retained exploration rights over its remaining holding of 38 million acres in the Amadeus, Southern Georgina, Wiso and Pedirka Basins.

The Company is continuing to work towards completing further farmouts 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 acreage portfolio.

Petroleum Interests

EP115 (western Amadeus Basin), Northern Territory *(CTP 100%)*

Extended Production Testing (EPT)

The Surprise Extended Production Test (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.

Oil production and delivery for the September Quarter was 4,560 barrels. Sales (measured at the time of uplifting from the Port Bonython storage facilities) totalled 1,714 barrels. This was a single uplift on 26 August 2012. This left an inventory of 2,846 barrels at the end of the Quarter. The Company received sale proceeds of A\$110.45 gross per barrel. Central has netted the sale proceeds against field operations and transportation costs.

The well recorded average stabilised flow rates of between 100 and 200 bopd on choke sizes between 16/64" and 22/64" and between 100 and 190 psi flowing wellhead pressure. The maximum flow rate achieved was 281 bopd on a 20/64" choke size.

The EPT was designed to, *inter alia*, assist in evaluating the productivity and various physical characteristics of the reservoir. Understanding a reservoir's optimal potential will help the Company reduce production and development risks.

As a result of this detailed testing program, the flow rates from the well were closely managed and controlled so that the quality of the data being gathered was optimised. This meant that for considerable periods of time the flow rates were reduced and at times the well was totally shut in for pressure build up tests.

Being the first well capable of production in the Surprise area, the Company took a fiscally prudent approach to this EPT and sourced sufficient on-site storage capacity to handle only moderate production rates. Regular transportation of the crude from the Surprise area to the storage tanks at Port Bonython in South Australia also proved to be challenging. This necessitated the unplanned shut in of the well as the on-site storage tanks were often full, hence curtailing production.

In early September 2012 the Company received a 3 month extension of the EPT (the initial EPT had also been for a three month period).

As announced on 6 August 2012 the Company has submitted an application letter to the Northern Territory Department of Mines and Energy for a Production Licence as it considered that it had enough information to justify the application.

The Company believes undertaking the 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.

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 interference to the seismic acquisition

The 3D seismic program over 82km² of the Surprise structure in EP-115 in the Northern Territory was completed in early July. Data processing followed and seismic interpretation is progressing..

Development Planning

The Company anticipates that the 3D seismic interpretation will be completed by the end of the December Quarter and the downhole gauges will be retrieved in early 2013. It is planned to be working on geologic modelling and reserve estimates during the first quarter of 2013.

The timing of the field development will be dependant on a number of factors including environmental and other regulatory approvals, native title agreement, seasonal weather conditions, rig availability and financial resources.

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

The 96 line km 2D seismic acquisition programme was completed during the Quarter. By the date of this report the data processing is also complete. Interpretation of the new data is underway.

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.

Mineral / Coal Interests

Central is continuing with its evaluation of alternative ways to deliver shareholder 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 coal assets are at an early stage of exploration, the coal assets are viewed as non-core.

Corporate

Legal Action with Drilling Contractor

On 30 October 2012 the Company advised that it has settled the arbitration proceedings with Century Energy Services Pty Ltd and MB Century Pty Ltd (jointly 'Century') whereby Century will pay Central the sum of AUD\$1,000,000 plus interest (payment due by no later than 4 January 2013) plus agreed or assessed party/party legal costs of and incidental to the arbitration proceedings (payment due within 21 days of the costs being agreed or assessed [as the case may be], or by no later than 4 January 2013, whichever is the later).

Legal Action with John Heugh

The legal action with former Managing Director, John Heugh, is ongoing. The claim is being handled by the Company's insurers and their appointed solicitors.

2012 Annual General Meeting

The 2102 Annual General Meeting will be held at the Company's offices, 56 Jephson Street, Toowong, Queensland 4066 on Thursday 29 November 2012 at 10 am.

Cash Position

The Company started the Quarter with \$12.1 million in cash and at 30 September 2012 held \$5.1 million, both amounts inclusive of its share of cash held in Joint Venture bank accounts.

Cash inflows for the Quarter were primarily from R&D and GST refunds with further lesser amounts received from share option exercises and interest income. Cash proceeds received from oil sales during the Quarter have been netted against the cost of field operations and transportation.

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



Michael Herrington
Director
31 October 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 - 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 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 September 2012

Consolidated statement of cash flows

	Current quarter	Year to date (3 months)
Cash flows related to operating activities	\$A'000	\$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration & evaluation	(5,757)	(5,757)
(b) development	-	-
(c) production	-	-
(d) administration	(2,688)	(2,688)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	92	92
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 (a) Other income (R & D refund)	987	987
(b) GST refunds received	309	309
Net Operating Cash Flows	(7,057)	(7,057)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(40)	(40)
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	15	15
Net investing cash flows	(25)	(25)
1.13 Total operating and investing cash flows (carried forward)	(7,082)	(7,082)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(7,082)	(7,082)
	Cash flows related to financing activities		
1.14	Proceeds (net) from issues of shares, options.	104	104
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	104	104
	Net increase (decrease) in cash held	(6,978)	(6,978)
1.20	Cash at beginning of quarter/year to date	12,105	12,105
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter (*)	5,127	5,127

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	570
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

+ See chapter 19 for defined terms.

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	1,000
4.2 Development	-
4.3 Production	-
4.4 Administration	2,400
Total	3,400

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	5,127	12,105
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter * (item 1.22)	5,127	12,105

+ See chapter 19 for defined terms.

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				
6.2 Interests in resource tenements and permits acquired or increased	Nil			

+ See chapter 19 for defined terms.

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	1,384,476,265	1,384,476,265		
7.4 Changes during quarter (a) Increases through issues (b) Increases through exercise of options (b) Decreases through returns of capital, buy-backs	1,100,000 - -	1,100,000 - -	\$0.095 (9.5 cents)	\$0.095 (9.5 cents)
7.5 *Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

+ See chapter 19 for defined terms.

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
		48,418,169	0	\$0.09	15 Nov 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
		11,893,335	0	\$0.095	15 Nov 2016
		6,000,000	0	\$0.095	30 Nov 2016
		124,503,864	0	\$0.09	15 Nov 2017
		65,000,000	0	\$0.125	31 Mar 2015
7.8	Issued during quarter	48,418,169	0	\$0.09	15 Nov 2015
		124,503,864	0	\$0.09	15 Nov 2017
7.9	Exercised during quarter	1,100,000	0	\$0.095 (9.5 cents)	\$0.095 (9.5 cents)
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 October 2012...

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

+ See chapter 19 for defined terms.

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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