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Surprise – 1 Project Development Update

Extended Production Test Indicates Robust Commercial Discovery

Highlights

- **Surprise Extended Production Test at stabilised flows of 200 – 400 BOPD without pump**
- **Maiden Surprise reserve booking anticipated in 1st Quarter 2013**
- **Significant unconventional prospectivity to be tested in next well**
- **Funding requirements aligned with existing options expiry**

The Surprise Extended Production Test (**EPT**) has provided Central Petroleum Limited (**Company** or **Central**) with confidence that both productivity and reserves at the Surprise discovery will be robustly commercial, flowing stabilized rates of between 200 – 400 BOPD without pump. Central anticipates that when production commences, substantially higher flow rates should be achieved. 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.

Central retains a 100% interest in the Surprise discovery area (**Surprise**) which is included in the circa. 2.4 million acres in EP115 that was not part of the recently announced farm-out joint ventures with Santos and Total.

The successful EPT on the Surprise discovery has been shut-in following a data gathering period on the reservoir.

Early reserve potential indicated by 3D seismic work suggests the scale of the Surprise structure could support several production wells.

Central is expecting to assess the organically rich Horn Valley Siltstone (**HVS**), which occurs 50m below the Surprise production horizon and known regionally to contain organically rich shales and wet gas. Further, the Bitter Springs horizon, a deeper known gas reservoir, appears to have direct hydrocarbon indicators on the 3D seismic. Since both of these horizons can be evaluated with only an additional circa 400m of drilling, they will be cored and stress tested for rock properties prior to completion of the Surprise production horizon. This gives the Company a highly efficient “free look” at a potentially significant regional shale resource and local wet gas reservoir within tie-in distance to a gas pipeline to Darwin.

Seismic

The 3D seismic has been processed with the interpretation having provided sufficient data to begin the construction of the reservoir model. Once constructed and audited, the reservoir model together with an approved and costed development plan should

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result in such reserves being certified by an independent consultant and released to the market early in the first quarter of 2013.

The 3D seismic disclosed a major fault which confirms a potential extension to the north of the field area, as well as several smaller ones that were not seen by the older 2D seismic. Using this new fault data will influence the orientation of further horizontal wells and reduce drilling costs. By embarking on the 3D seismic before drilling additional production wells (as is modern worldwide industry practice), we expect to achieve greater capital savings than the costs of the seismic, as well as ensuring the subsequent wells are located to optimise production rates.

Early indications are that initial work will focus on the western fault block, with the central and eastern blocks being concurrently appraised.

Development Planning

A step-change in the economics of the project should be achieved if production reaches or exceeds 1,000 bopd. To this end, the company is exploring further options to extend the scope of the development including:

- analysing further potential well locations indicated by the 3D seismic;
- the possibility of working over earlier wells in the light of knowledge gained through the recent activities around Surprise; and
- the co-ordinated development with Santos' Mereenie field, if this were to prove to be mutually beneficial to all parties.

Central CEO, Richard Cottee said the results were sufficiently encouraging that, as a stand-alone project the Surprise development may be able to sustain a 40% debt level and provide the opportunity for a leveraged return on the equity of the project.

"Given the possibility that the field development could be partly funded with debt there remains further work required on the field to bring the development to bankable feasibility standards", Mr Cottee said.

"We expect that construction of the reservoir model will be completed in the first quarter of next year. Following that, the engineering can be completed to good oil field and bankable standards", he said.

"Once that work is completed, discussions can be held with the Traditional Owners to ensure that the development is culturally sensitive to their requirements and a Production Agreement can be negotiated with the Central Land Council. One of the Company's aims is to provide a stable economic and skills base for the Traditional Owners and we look forward to creating a mutually beneficial development", Mr Cottee said.

Surprise development timetable and funding

Central anticipates the planning and permitting to be completed within the next 12 months with a decision on full scale development targeted for Q3 2013, subject to weather conditions and other factors. At that time Central will assess funding options for Surprise based on the acceptances of existing options.

The Company has nearly 303 million 16 cent options due to expire on March 31 2014 (**ASX Code: CTPO**) which, if exercised, would raise in excess of any anticipated development equity required. The timing of the Surprise development and the exercise of the Company options creates the potential for the Company to rely on the existing options to provide funding for the Surprise field and avoid shareholder dilution.

Richard Cottee said 2013 should prove to be a watershed year for the Company.

“As a result of the Santos and Total farm-out agreements, around $80 million of first stage exploration will occur over the next 24 months with Central being fully carried by Santos and Total before any exploration funding will need to be expended by the Company. This is not likely to occur until the first quarter of 2014 at the earliest”, Mr Cottee said.

Importantly Central’s share of exploration expenditure in the Southern Georgina permits has been timed to commence following the expiry or exercise of the 303 million 16 cent options in March 2014, by which time the Company will have the benefit of the initial results of the $80 million exploration expenditure program.

Ends

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