

Central Petroleum Limited

ABN 72 083 254 308

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

HIGHLIGHTS

- Farmout with Santos completes in early July.
 - Farmout with Total completes in respect to the three Queensland permits.
 - Cash position dramatically improved by end of July.
 - Funds secured for Surprise West development and Surprise East drilling.
 - Planning for the seismic acquisition and drilling programs well advanced.
 - Farmout discussion of the western portion of EP115 ongoing.
 - Sale of the Company's coal assets for \$1.8 million cash completes.
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Review of Operations and other Joint Venture Activities for the Quarter ended 30 June 2013 (“the Quarter”)

Petroleum Interests

Farmout to Total

The Company completed the farm-out transaction with Total in respect to the three Queensland permits (namely ATP909, ATP911, ATP912) comprising some 6 million acres in the Southern Georgina Basin in central Australia. The completion of that part of the farm-out agreement that relates to EP(A)132 in the Northern Territory will occur upon the grant of the exploration permit.

The exploration will start with an investment by the joint venture of US\$60 for stage one with the last US\$12 million being contributed by Central, and, at Total's election, US\$130 million for stages two and three. Should Total continue and fulfil its funding obligations for stages 2 and 3 Total 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. With regard to the stage 1 commitment of US\$60 million, Total has agreed to fund the first US\$48 million of expenditure after which Central will fund the next US\$12 million.

Central will operate the farm-out areas for the first four years and after completion of stage 3 Total will assume operatorship for 90% of the area. Central will retain operatorship of the upstream activities on the remaining 10% of the area.

The Operator has continued with permitting and access approvals and expects to execute the seismic acquisition contract shortly. Planning of the drilling program is well advanced.

Farmout to Santos

In the previous (March 2013) Quarterly Report Central announced that the farmout transaction had completed in respect to most areas covered by the joint venture agreement being more than 18.7 million acres in the Amadeus and Pedirka Basins and that the closure of those parts of the farmout agreement related to EP97 had been deferred to allow for the completion of the acreage purchase transaction with Rawson Resources Limited (“Rawson”).

In July 2013 Central reported that the acquisition had been finalised and that the farmout transaction to Santos had completed.

This acquisition resulted in Central having 44% participating interest in that portions of EP97 which is subject to the Santos Farmout Agreement (on the assumption the farmout proceeds to Stage 3) and 100% in the balance of the acreage.

The farmout 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 to up to 70% of the area totalling nearly 80 thousand square kilometres. Santos will assume operatorship during exploration and in the event that they are developed. Central will benefit from a free carry during the farmout period.

The seismic acquisition program, commenced in July 2013. The program is around 1,800 kms. The seismic data acquired is very important in identifying and maturing prospects to a status where they can be drilled.

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

(a) Surprise West Development (Stage 1)

The development of Surprise West Stage 1 is estimated to take approximately three months to complete. The planned work will include the re-entry of Surprise-1, for pump installation and construction of a production facility to increase the present capacity to 5,000 barrels of oil storage with 2,000 barrels of water separation capacity. Project economics indicate that the up to \$5 million cost of development will be paid back in around nine months.

The development is conditional on the grant of a Production Licence, which is expected to be approved by the end of the September quarter. The Company expects that production will commence by the end of this calendar year, providing valuable cash flow support for the Company's plans to develop its large conventional and unconventional oil and gas potential.

(b) Surprise East (Stage 2)

The initial plans for the eastern side of the Surprise Structure involve the drilling of the Surprise East-1 well to appraise the extension of the productive Lower Stairway sandstone, and test the underlying Horn Valley Siltstone ("HVS") and Pacoota sandstone. The HVS will be cored to evaluate the substantial oil shows in Surprise-1 REH ST1 and Johnstone West-1 so as to determine the recognised unconventional potential.

Planning of the drilling program and well design is at an advanced stage.

Mineral / Coal Interests

The sale of the coal assets completed during the Quarter. The Company received \$1.8 million from the sale to FRID Energy Pty Ltd. As previously reported, if the coal assets had not been divested, Central would have had to commit under its permit obligations up to \$10million on coal exploration in the next 12 months in a climate of falling coal prices.

Corporate

Forward timetable and funding

Exploration

As reported previously the Santos and Total farmout programs will result in approximately \$82 million of first stage exploration being spent over the next 15 months. All of this \$82 million of exploration dollars are being spent by the farmin parties. Following this expenditure Central is required to spend approximately \$13 million on this program with the spend expected to be not before the fourth quarter of CY2014.

Appraisal and Development

The Company has now secured funds for its appraisal and development program at Surprise in EP115 in the Northern Territory. The funding has been provided from two sources.

Firstly, Central received a \$5.9 million research and development (R&D) tax incentive refund from the Australian Commonwealth Government in relation to certain of its exploration expenditures in the year ended 30 June 2012.

Secondly, the Company raised a net \$10 million from a private placement of shares. The placement was at 10 cents per share.

These two sources of funding ensure Central has the capital required to fund Surprise West into production and the Surprise East-1 well to production.

Provided Surprise West and Surprise East-1 perform according to prognosis, the Company expects to have free cash flow next calendar year of around \$20 million, sufficient to fund its \$13 million share of Stage 1 of the Total farmout.

Additionally, the farmout discussions in relation to the Surprise project remain on track which, if consummated, would provide further funding for an expanded Surprise development.

Cash Position

The Company started the Quarter with \$1.8 million in cash and at 30 June 2013 held \$1.3 million, both amounts inclusive of its share of cash held in Joint Venture bank accounts. Last Quarter the Company forecast that its cash position at 30 June 2013 would be an improvement from 31 March 2013 provided its farmout deals went unconditional and it received the cash reimbursements due from the farmin parties of approximately \$1.6 million and the sale of its coal assets completed, before the end of the Quarter. These were achieved except for a farmout reimbursement of approximately \$0.8 million which was subsequently received in mid-July.

Since 30 June 2013 Central has also 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 cost reductions implemented in the December 2012 half year have translated into lower net cash burn rates for the Company's recurring expenditures. Central has reduced the quarterly burn rate down to approximately \$1.5 million in each of the last three quarters.

Going forward 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, there will be 1,546,078,845 ordinary shares on issue at 31 July 2013. Importantly, over 80% of the shares placed were to three large domestic institutions.

Following the placement the top 4 shareholders hold circa 15% of Central's stock. Central is pleased to see the placement stabilising its equity register.

Management Changes

Central appointed two senior managers to its Exploration Team during the June Quarter. These appointments strengthen the Company's technical ability to develop its vast acreage.

Mr Michael (Mike) Bucknill was appointed General Manager, Exploration. He replaced Mr Trevor Shortt who resigned to return to Perth. Mr Bucknill had previously been General Manager, Exploration of Acer Energy.

Dr Robbert Willink was appointed Exploration Advisor. Dr Willink had a distinguished career with Origin Energy until his retirement in 2012 and was a direct report to Origin's Managing Director. His experience in guiding exploration at Origin, which saw rapid growth during his tenure there, will prove invaluable to Central.

Richard Cottee



Managing Director
31 July 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 June 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 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	(424)	(7,619)
1.3 Dividends received	(1,553)	(8,315)
1.4 Interest and other items of a similar nature received	7	140
1.5 Interest and other costs of finance paid	(14)	(18)
1.6 Income taxes paid		
1.7 (a) Other income (b) GST refunds	-	2,488
	267	1,172
Net Operating Cash Flows	(1,717)	(12,152)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	-	(500)
	(173)	(642)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	1,440	1,800
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other – redemption/(lodgement) of security bonds	(18)	56
Net investing cash flows	1,249	714
1.13 Total operating and investing cash flows (carried forward)	(468)	(11,438)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(468)	(11,438)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	(17)	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)		
	Net financing cash flows	(17)	641
	Net increase (decrease) in cash held	(485)	(10,797)
1.20	Cash at beginning of quarter/year to date	1,793	12,105
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter**	1,308	1,308

** The Company has subsequently received a further approximate \$16.7 million.

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	349
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

Nil

+ 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	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter (Note 1)

	\$A'000
4.1 Exploration and evaluation (net)	350
4.2 Development	1,000
4.3 Production	-
4.4 Administration	1,978
Total	3,328

** Note 1: The above table reflects cash outflows only. The Company is estimating approximately \$16.7 million of cash inflows in the next (Sept) 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	1,308	1,793
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,308	1,793

+ See chapter 19 for defined terms.

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.	Petroleum			
	EP82 (NT)	Working Interest	100 %	75 %
	EP93 (NT)	Working Interest	100 %	60 %
	EP105 (NT)	Working Interest	100 %	75 %
	EP106 (NT)	Working Interest	100 %	75 %
	EP107 (NT)	Working Interest	100 %	75 %
	EP112 (NT)	Working Interest	100%	75 %
	EP118 (NT)	Working Interest	100 %	-
	EP125 (NT)	Working Interest	100 %	30 %
	RLs 3 & 4 (NT)	Working Interest	100 %	75 %
	EPA 132 (NT)	Working Interest	100 %	90 %
	EPA147 (NT)	Working Interest	100 %	75 %
	ATP909 (Qld)	Working Interest	100 %	90%
	ATP911 (Qld)	Working Interest	100 %	90 %
	ATP912 (Qld)	Working Interest	100 %	90 %
	EP115 (North Merreenie Blk)	Working Interest	100 %	60 %
	Mineral			
	EL-27094	Working Interest	100 %	-
	EL-27100	Working Interest	100 %	-
	EL-27101	Working Interest	100 %	-
	EL-27102	Working Interest	100 %	-
	EL-27103	Working Interest	100 %	-
	EL-27104	Working Interest	100 %	-
	EL-27105	Working Interest	100 %	-
	EL-27106	Working Interest	100 %	-
	EK-27107	Working Interest	100 %	-
	EL-27108	Working Interest	100 %	-
	EL-27109	Working Interest	100 %	-
	EL-27110	Working Interest	100 %	-
	EL-27114	Working Interest	100 %	-
	EL-28095	Working Interest	100 %	-
	EL-28096	Working Interest	100 %	-
	EL-28097	Working Interest	100 %	-
EL-28472	Working Interest	100 %	-	
EL-27095	Working Interest	100 %	-	
EL-27096	Working Interest	100 %	-	
EL-27097	Working Interest	100 %	-	
EL-27098	Working Interest	100 %	-	
EL-27099	Working Interest	100 %	-	
6.2 Interests in petroleum tenements acquired or increased	EP97 (NT)	Working Interest	20 %	100%
	L12-2 (WA)	Working Interest	0 %	100%

+ 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) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	1,440,078,845	1,440,078,845		
7.4 Changes during quarter (a) Increases through issues (b) Increases through conversion of options (c) Decreases through returns of capital, buy-backs	50,000,000 100,000	50,000,000 100,000	Deemed value of \$0.1377(13.77cents) per share [acqn. of interest in expln permit EP97] \$0.11 (11 cents)	\$0.1377 (13.77 cents) \$0.11 (11 cents)
7.5 +Convertible debt securities (description)				

+ See chapter 19 for defined terms.

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Mining exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>			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
		55,251,501	0	\$0.09	15 November 2015
		200,000	0	\$0.12	12 May 2016
		3,346,665	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
		2,000,000	0	\$0.095	30 November 2016
		138,170,532	0	\$0.09	15 November 2017
7.8	Issued during quarter				
7.9	Exercised during quarter	100,000	0	\$0.11 (11 cents)	20 July 2016
7.10	Cancelled during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <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 5).
- 2 This statement does /~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 31 July 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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+ See chapter 19 for defined terms.