

22 October 2007

The Manager
Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
Sydney
New South Wales 2000

QUARTERLY REPORT
JULY TO SEPTEMBER 2007

EXPLORATION ACTIVITIES

AMADEUS BASIN

EP 82, EPA 111, EP 112, EP 115, EP 118, EPA 120, EPA 124, EP 125, EPA 133, EPA 137

Structural and Remote Sensing Analysis and Seismic

During the period the Group continued to examine detailed structural analysis data based on 1:25,000 colour photographic surveys of the Waterhouse and Ooraminna Prospects in EP 112/82 and EP 112 respectively. Previously derived Landsat ("ASTER") structural analyses in the Waterhouse and Ooraminna Prospects were combined with mapping derived from new seismic shot in early 2007 to further refine the selection of drilling locations. Combined studies of structural mapping, alteration anomalies and the new seismic processing results have helped the Group to focus on the most prospective portions of these very large structures.

Environmental, Sacred Site and Heritage Surveys

Environmental, sacred site and heritage field reports over Mt Kitty, Ooraminna and Waterhouse prospects were for proposed drilling locations were initiated and the final approvals for drilling based on Heritage Surveys, sacred site surveys and environmental surveys are expected to be completed shortly by the Northern Territory Department of Primary Industry, Fishing and Mining.

Applications EPA 147 and EP 115

Exploration Permit EP 115 of 169 whole or partial graticular blocks totalling some 13,000 square kilometres was granted to Frontier Oil and Gas Pty Ltd on the 22nd August 2007.

The permit hosts the Johnstone oil prospect assessed as having potential to host up to 112 MMbbls of recoverable oil ("high" estimate Prospective Resources) in a three way dip and one way fault terminated closure in the main Ordovician Stairway and Pacoota Sandstone target horizons at depths less than 1,800 m. Secondary targets include the older Neo-proterozoic Pioneer Sandstone (Aralka Petroleum System) and the Heavitree Sandstone. In addition, the very large Wells prospect, not previously described will be targeted in the next seismic campaign. The Wells prospect may have closure in excess of 300 square kilometres and has potential for oil, gas and condensate in both of the Aralka and Heavitree petroleum systems. The Heavitree has regional and widespread potential for Helium in addition to hydrocarbons. It



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had been ignored by previous explorationists who had focussed solely on the Ordovician (Mereenie and Palm Valley style) petroleum system.

The Northern Territory Department of Primary Industry, Fishing and Mining has confirmed receipt of a valid application of EPA 147, c. 1,280 km² which covers the easterly extension of the Ooraminna structure and holds potential for additional exploration plays in the Aralka Petroleum System as well as sub-salt Heavitree gas-condensate and Helium plays.

The Group has made application for two other permits but priority has not yet been determined in these applications.

Applications for other exploration permits are at various stages of progress with two of the Traditional Owner meetings out of the three required for Exploration Permits EPAs 111, 124 and 133 having been successfully concluded.

FARMOUTS

He Nuclear Limited:

Group subsidiaries Ordiv Petroleum Pty Ltd (EP125) and Helium Australia Pty Ltd (EP82) signed a formal farmout agreement with He Nuclear Limited on 17th January 2007 whereby He Nuclear may earn 25% of the EP125 Mt Kitty Prospect Block and the EP82 Magee Prospect Blocks via the funding by He Nuclear of 50% of pre-drilling seismic and the drilling of a well on each Prospect Block to earn a 25% participating interest in each of the blocks. The Mt Kitty Prospect Sub-Block and the Magee Prospect Sub-Block, are portions of respectively of EP 125 and EP 82. He Nuclear has continued to finance its promoted share of the seismic processing and analysis as the Group moves closer to drilling with a finalized drill location being selected.

Trident Energy Limited:

On 28th June 2007, Frontier Oil and Gas Pty Ltd signed a Memorandum of Understanding with Trident Energy Limited whereby the privately-owned Melbourne-based oil junior will fund a \$3 million seismic acquisition programme and the drilling of three exploration wells at the 20% level to earn a 10% interest in the Amadeus basin block EP 115. The Company is focusing on risk reduction through the application of leading-edge exploration methods to high-grade seismically-defined prospect portfolios, particularly in modeling petroleum systems and high-tech geochemistry, including the "GoreSorber" technique. The Group has proceeded to prepare formal legal documentation incorporating the commercial terms of the Memorandum of Understanding

PEDIRKA BASIN

EP 93, EPA 130, EPA 131, PELA 77

Further discussion with the Central Land Council over an appropriate less flood prone road access plan to EP 93 has continued and the CLC has confirmed that the chosen drilling locations have been given sacred site clearance.

Coal Bed Methane - Pedirka Basin

An independent report on the potential Coal Bed Methane potentially recoverable Prospective Resources of the Group's Pedirka Basin permits and permit applications, EPAs 130 and 131, PELA 77, the granted EP 93 and the Traditional Oil Exploration Pty Ltd permit applications EPAs 105,106 and 107 (see section below) by Mulready Consultants Pty Ltd concluded a range of 34 to 70 TCFG may be recoverable in Prospective Resources.

An independent report by Holt Campbell and Payton Pty Ltd based on the Mulready Consultants report concluded that at an average factory gate delivered price of \$2.20 AUD per thousand cubic feet or gigajoule of gas, a very large scale 140,000 barrels of liquids per day GTL (Gas to Liquids) plant based at Alice Springs could be fuelled for 70 years based on the

“low” estimate of 34 TCFG of recoverable prospective resources.

The Company has had discussions with a number of consulting firms inclusive of Netherland Sewell and Associates concerning advice on Coal Bed Methane exploration in the context of the Pedirka Basin and hopes to announce a formal contract during the next quarter.

Applications for other exploration permits are at various stages of progress.

FARMIN

On the 10th August 2007, Merlin Energy Pty Ltd, (“Merlin”) a wholly owned subsidiary of Central Petroleum Limited (“CTP”) agreed the main commercial terms of a proposed farmin to prospect blocks operated by Rawson Resources Limited, (“RAW”) a listed exploration company. The farmin will be targeting prospective recoverable resources totaling 256 million barrels at “best” (P50) estimate level.

The Memorandum of Understanding between the two companies outlines the plan, subject to all relevant board approvals, for Merlin to fund 100% of the drilling of up to 3 wells over the Simpson, Bejah and Dune prospect blocks in EP 97 in the Pedirka Basin to earn an 80% Participating Interest and operatorship of the three prospect blocks. 100 km of 2D seismic will also be funded by Merlin and Merlin will also earn 80% of any coal bed methane resources in the prospect blocks via the farmin programme.

Merlin has contingent plans in place to drill the Blamore prospect in its EP 93 which is contiguous to the west with RAWs EP 97. Both permits cover large areas of the Permian Pedirka Basin with Triassic and Jurassic Eromanga Basin sediments overlying the older Permian sequence.

Earlier generations of explorationists in the area had focused on drilling the more obvious well developed structures which invariably reflected vigorous Miocene (Tertiary) fault re-activation which post-dated oil charge in the earlier Early to Late Cretaceous. Unsuccessful examples of this earlier philosophy include Colson 1 and the Poolowanna discovery, where earlier formed oil in place during the Cretaceous has leaked out via seals breached in the Tertiary.

Central believes that although the source rocks in the Pedirka Basin are in general more oil prone than those of the Cooper-Eromanga Basin, the regions have many similarities and has adopted an exploration approach based on the following geological criteria:

- 1) Oil, and to a lesser degree gas, has been generated from Permian, Triassic and Early Jurassic source rock sequences with migration during the Early-Late Cretaceous. The most attractive structures are those with an “older” Jurassic-Cretaceous component of structuring which predates oil migration. This can be readily gauged, together with migration pathways from source kitchens, by measuring the history of structural growth as defined by seismic isochrons, which is a major component of Central’s exploration approach.
- 2) Robust Miocene structures are largely non-prospective. In addition, the close proximity of “older” structural closures to later rejuvenated Miocene (Tertiary) fault trends greatly increases the risk of trap breach as occurred in the Poolowanna structure.
- 3) By far the most attractive, and least explored plays, are subtle Jurassic-Cretaceous closures (10-30 ms of vertical closure) displaying little or no Miocene (Tertiary) reactivation, and also formed on favourable migration pathways from source kitchens.

Amadeus and Pedirka Basins Exploration EPAs 105,106 and 107

On the 5th June 2007, Merlin Energy Pty Ltd signed a conditional agreement with Traditional Oil Exploration Pty Ltd to acquire Exploration Permits EPAs 105, 106 and 107 in the prospective Amadeus and Pedirka basins in the Northern Territory. EPA 106 covers largely Amadeus Basin

sediments while EPAs 105 and 107 cover a mix of Amadeus Basin and Pedirka Basin sediments. The EPAs are contiguous with and lie between Central's EP 82 to the west and EP 93 to the east.

Subject to granting, the acquisition will add an additional 27,000 square kilometres or 6.5 million acres of ground to the Central Petroleum Ltd portfolio, and is conditional upon the permits being granted to Traditional Oil Exploration Pty Ltd and their subsequent transfer to Central Petroleum Ltd wholly owned subsidiary, Merlin Energy Pty Ltd.

Advice has been received via the Northern Territory Department of Primary Industry, Fishing and Mining that it intends to grant the three permits during the next quarter.

Wiso Basin (Lander Trough) Exploration
EPA 92, EPA 129

Applications for exploration permits are at various stages of progress with the period of negotiation agreed to be extended by the Central Land Council.

Georgina Basin
EPA 132

Negotiations with regard to the applications for the exploration permit have not yet commenced.

GENERAL BROAD ACREAGE BASED FARMOUTS SUMMARY

PETROLEUM EXPLORATION AUSTRALIA LIMITED

As reported previously, the Group reached agreement in a Memorandum of Understanding dated 31st May 2007 on the commercial terms of a proposed farmout to Petroleum Exploration Australia Limited ("PXA") with the intention of executing a formal farmout agreement with them. The terms of the intended farmout agreement will include the funding by PXA of 40% of up to 54 wells and 40% of up to \$54 million of seismic for PXA to earn a 20% interest in the 19 permits and permit applications operated by the Company.

The Group has continued to prepare and negotiate the fine detail of formal legal agreements covering the proposed Joint Venture and anticipates executing the various agreements during the next quarter.

ADVENT ENERGY LIMITED

As reported previously, the Group reached agreement in a Memorandum of Understanding dated 22nd June 2007 on the commercial terms of a farmout to Advent Energy Limited, (Advent) a wholly owned subsidiary of the ASX listed MEC Resources Limited, a Pooled Development Fund. The terms of the planned farmout agreement are substantially the same as the terms of the PXA farmout agreement.

The Group continues to provide data to Advent as part of the due diligence process and has commenced preparation of the formal legal agreements covering the proposed Joint Venture.

EFFECT OF FARMOUTS

The Company has 17 exploration permits and applications in the Northern Territory, 1 exploration permit application in South Australia and one Special Prospecting Authority in Western Australia covering a total of c.250,000 square kilometres.

Under the terms of the proposed and current farmouts, the Company will retain a minimum 60% Participating Interest in all of this area but for EP 115 where it shall retain a minimum 50% interest and be 100% free carried for the first 3 wells and \$3 million seismic programme. In EP 82 and EP 125 the Company it shall retain a minimum 55% interest in the Magee and Mt Kitty Prospect Blocks (part of the Exploration Permits hosting the Prospect Blocks) and a minimum

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60% interest in the areas outside of the Prospect Blocks. It shall be funded at the level of 95% for pre-drilling seismic and the drilling of one well in each of the Mt Kitty and Magee Prospect Blocks, while in the "balance" areas in EPs 125 and 82 respectively surrounding the Prospect Blocks, the Company will be funded at the 80% level for up to 2 wells in each permit and up to \$2 million of seismic in each of the two permits.

DRILLING

IPS Australasia Pty Ltd, as drilling project managers, continued to negotiate with potential drilling contractors over the drilling of 3-5 wells which were planned to spud prior to December 31st 2007 subject to various contingencies including weather cycles, availability of drilling rigs and the potential to make savings on the considerable mobilisation and demobilization costs attendant to drilling in central Australia. Only one (well apart from the current drilling of a well in the Beetaloo Basin by Sweetpea Petroleum) has been drilled in the last fifteen years in this region due to the previous lack of infrastructure and relatively low oil prices until 2004 when both the oil price reached new highs and the Alice Springs to Darwin rail link was completed.

GAS TO LIQUIDS (GTL)

An independent report has concluded that there may be sufficient potentially recoverable prospective resources at the "low" estimate level of 34 TCFG in recoverable Coal Bed Methane prospective resources alone from the Pedirka Basin to fuel a 140,000 bbl/day Gas to Liquids Plant for approximately 70 years. Conventional reservoirs are thought to host additional potential up to 35 TCFG according to the Northern Territory Geological Survey. It is thought that any Helium found in gas resources would be extracted at a proposed centrally located GTL plant using potential synergies with the concomitant extraction and cooling of any contained nitrogen.

NEW PROSPECTS AND PLAY TYPES

The exploration model/philosophy behind the company's long history of tenement acquisition as well as its exploration strategy, is based on the belief that many of Australia's onshore frontier basins are grossly underestimated in terms of their hydrocarbon potential. Over nearly a decade Central has pursued this strategy with the acquisition of over 250,000 sq km of exploration holdings in Central Australia.

CORPORATE

CAPITAL RAISINGS

The Company had previously granted a total of 38,741,251 listed and 797,000 unlisted options with an expiry date of 30 June 2007, exercisable at 20 cents each ("June 30 options") representing a potential source of additional capital of up to \$7.9 million. The Company signed an Underwriting Agreement with Martin Place Securities Pty Limited ("MPS") on June 25, 2007 to underwrite the conversion of the first 20 million listed June 30 Options, with an option to extend the underwriting to the full number of listed June 30 Options under certain terms and conditions. At the time, the underwriting was expected to raise a gross total of \$4 million for the Company. The Company also announced that it had entered into a second Underwriting Agreement with MPS to underwrite the issue of a 1:2 non-renounceable entitlement of June 30 2010 Options to all shareholders at an issue price of \$0.025 each, exercisable at \$0.25. The issue was expected to raise approximately \$2.0 million before costs.

MPS found a strong interest for the Company's shares and in July accepted the full shortfall of the listed options and also placed an additional 6,297,000 shares resulting in the Company receiving a total \$9,007,650 in new capital (inclusive of the \$511,237 received to 30 June 2007) before costs.

The Company issued a Short Form Prospectus dated 11 July 2007 which set out the terms of a non-renounceable offer of 1 option for every 2 shares held by shareholders on the record date of 17 August 2007.

On the 4th September 2007, the Company announced that it had completed the non renounceable entitlement issue of options pursuant to the terms of the Company's prospectus dated 11 July 2007. The issue raised a total of \$2,199,044 before costs. This options entitlement issue was underwritten by Martin Place Securities Pty Limited ("MPS").

Following the issue of the securities and options referred to above, the Company's issued securities (and related ASX symbols) were:

Listed ordinary shares	165,133,639	CTP
Unlisted ordinary shares (restricted)	10,789,864	CTPAU
Listed options: - 25 cents expiring 30 June 2010	95,961,760	CTPOA
Unlisted options exercisable at: - 25 cents expiring 31 January 2010	300,000	CTPAZ
- 20 cents expiring 31 May 2010 (restricted)	12,500,000	CTPAY
- 20 cents expiring 31 May 2010	8,750,000	CTPAQ
- 20 cents expiring 20 February 2011	8,000,000	CTPAS

NEW STAFF

The Group was fortunate to contract the services of Mr Mark Di Silvio as Group Chief Financial Officer on the 25th September 2007.

Mr. Di Silvio is a qualified CPA who holds both a Bachelor of Business in Accounting and a Master of Business Administration. He brings to the Company a wealth of international oilfield experience in the finance and administration fields.

Most recently, as Finance Manager, Mr. Di Silvio was responsible for overseeing the development and operation of Woodside's Mauritanian assets.

FINANCIAL

At the end of the Quarter, the Group had available funds of approximately \$14,378,000. The attached ASX Listing Rules Appendix 5B shows the cash movements and other information for the Quarter.

Yours sincerely,
Central Petroleum Limited



John Heugh
Managing Director

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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")

30 September 2007

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 and evaluation	-422	-422
(b) development		
(c) production		
(d) administration	-894	-894
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	187	187
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	-1,129	-1,129
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects		
(b)equity investments		
(c) other fixed assets	-6	-6
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 (describe if material)		
Net investing cash flows	-6	-6
1.13 Total operating and investing cash flows (carried forward)	-1,135	-1,135

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1.13	Total operating and investing cash flows (brought forward)	-1,135	-1,135
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	10,281	10,281
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
	Net financing cash flows	10,281	10,281
	Net increase (decrease) in cash held	9,146	9,146
1.20	Cash at beginning of quarter/year to date	5,232	5,232
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	14,378	14,378

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	268
1.24	Aggregate amount of loans to the parties included in item 1.10	
1.25	Explanation necessary for an understanding of the transactions	

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

-

- 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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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	0	0
3.2	Credit standby arrangements	0	0

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	1,000
4.2	Development	0
	Total	1,000

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	76	1,232
5.2	Deposits at call	14,302	4,000
5.3	Bank overdraft	0	0
5.4	Other (provide details)	0	0
	Total: cash at end of quarter (item 1.22)	14,378	5,232

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				
6.2	Interests in mining tenements acquired or increased	EP 115	Registered holder. Joint venture with conditions	100%	90%
		EP 97	Farm-in. Joint venture with conditions	0%	80%

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 <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	175,923,503	165,133,639		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	45,038,251	45,038,251		
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
		95,961,760	95,961,760	\$0.25	30/6/10
		300,000	0	\$0.25	31/1/10
		21,250,000	0	\$0.20	31/5/10
		8,000,000	0	\$0.20	20/2/11
7.8	Issued during quarter	95,961,760	95,961,760	\$0.25	30/6/10
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <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 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Date: 22nd October 2007

John Heugh – Managing Director

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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