

23 January 2008

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

QUARTERLY REPORT

OCTOBER TO DECEMBER 2007

EXPLORATION ACTIVITIES

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. For nearly a decade since 1998 when oil was trading at US\$12/bbl, Central has pursued this strategy with the acquisition of over 250,000 sq km of highly prospective exploration holdings in Central Australia.

AMADEUS BASIN

EP 82, EPA 105, EPA 106, EPA 107, EPA 111, EP 112, EP 115, EP 118, EPA 120, EPA 124, EP 125, EPA 133, EPA 137, EPA 147, EPA 149 and EPA 152

Structural and Remote Sensing Analysis and Seismic

During the period the Group continued to examine data and refine mapping derived from new seismic shot in early 2007 to further define 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. Line clearing began in December 2007 for an extensive 2D seismic survey (totalling up to 1153 km) in the Amadeus and Pedirka/Eromanga Basins and the crew and equipment were mobilised from the Canning Basin (Arc Energy programme) to central Australia. The survey is a significant adjunct to a 483 km seismic survey acquired in early 2007. Terrex Seismic, Dynamic Satellite Surveys and Terrex Contracting are the main contractors for the seismic acquisition programme.

The 2008 survey will provide further pre-drilling detail of the Johnstone (Amadeus Basin – oil) and Magee (Amadeus Basin- Helium, gas, condensate) prospects. Total hydrocarbons addressed by these two prospects are 173 MMbbl, 65 BCFG and 4 BCF Helium. Eight other Amadeus Basin structural leads will be detailed and address 10 TCFG while the Stuart and Gypsum Amadeus Basin structural leads could host up to 63 MMbbl. UOOIP.

All estimates provided unless otherwise annotated are based on Undiscovered Petroleum Originally in Place at "high" estimate if filled to spill (SPE).

Environmental, Sacred Site and Heritage Surveys

Environmental, sacred site and heritage field reports over Mt Kitty, Ooraminna, Waterhouse, Simpson and Blamore prospects 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.



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PEDIRKA BASIN

EP 93, EP105, EP107, EPA 130, EPA 131, PELA 77 and EP 97

In the Pedirka/Eromanga Basin, the planned 2008 seismic survey will detail three strong oil leads, the Vivienne, Guinevere and Madigan leads. Total petroleum addressed by these leads is 1.3 Billion barrels oil.

Recent remapping during the quarter of two important drillable oil prospects in the Pedirka/Eromanga Basin, i.e. the Blamore and Simpson Prospects, has facilitated an update of "high" estimate original-oil-in-place (OOIP) of 81 mmbbl and 161 MMbbl respectively. For its 2008 drilling program Central has targeted geological variance in its prospects to mitigate geological risk, relatively shallow drilling targets to reduce cost and has also favoured large oil/gas-condensate-Helium prospects potentially capable of delivering very significant early cash flow.

Further discussion with the Central Land Council over an appropriate less flood prone road access plan to EP 93 continued with the Group accepting in general a route that it considers is appropriate for dry weather access 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 some of the Traditional Oil Exploration Pty Ltd permits EPs 105 and 107 by Mulready Consultants Pty Ltd concluded a range of 34 to 70 TCFG may be recoverable in Prospective Resources.

The Group selected drilling locations for 3 CBM well sites during the quarter which may have potential for the entrapment of conventional oil and gas as well as CBM due to the geological structures involved.

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

LANDER TROUGH EPA 92 and EPA 129

The Central Land Council (CLC) notified the Group that its application for Exploration Permit EPA 92 by Merlin Energy Pty Ltd had been rejected. The Group has a number of options in regard to the area applied for, inclusive of seeking a judicial review of the application process and the role of the CLC in this. Further recourse in this matter may be available to the Group under various sections of the Aboriginal Land Rights (Northern Territory) Act 1976 Commonwealth as amended (ALRA) and the Administrative Decisions (Judicial Review) Act 1977 Commonwealth (ADJR Act). The Group will address this issue with all due vigour.

EPA 129 awaits the CLC to arrange initial meetings with relevant Traditional Owners.

GEORGINA BASIN EPA 132 and ATP APPLICATIONS 909, 911 and 912

Negotiations with regard to the applications for the Exploration Permit 132 have not yet commenced.

Merlin Energy Pty Ltd emerged as the successful bidder for three exploration permits in Queensland with areas totalling 14,000 sqm. The Company's wholly owned subsidiary, Merlin Energy Pty Ltd, was notified by the Queensland government that it was the preferred tenderer with priority to apply for a title grant over ATPs 909, ATP 911 and ATP 912 in the Queensland portion of the southern Georgina basin, which hosts oil and gas targets in Middle to Late Cambrian petroleum systems.

The Queensland applications are part of Central's exploration strategy of gaining an early-entry position into under-explored prospective onshore basins of central Australia, with the accompanying aim of building up "whole-of-basins" positions.

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Although under-explored, the Georgina Basin hosts a rich Cambrian petroleum system which has been well documented. The area is believed to have generated more than 40 billion tons of hydrocarbons in its lifetime.

In the Northern Territory portion of the Georgina basin, there have been some 20 exploration wells drilled, with 13 of them yielding live oil shows, despite the absence of adequate seismic definition at the time. The Georgina basin is largely oil-prone, although Central's Queensland holdings are partially adjacent to Ethabuka-1, which flowed a small amount of gas from the Kelly Creek Formation. Not surprisingly, oil will be the main target on the shelf updip of this syncline, as drilling to date has consistently yielded oil shows and indications of oil migration.

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 in the Amadeus Basin alone 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.

FARMIN / FARMOUTS / ACQUISITIONS

Petroleum Exploration Australia Pty Ltd:

The Group has focussed on the completion of a series of complex agreements reflecting the commercial terms of a Memorandum of Understanding dated 31st May 2007 on a proposed farmout to Petroleum Exploration Australia Limited ("PXA"). The terms of the intended farmout agreement will include the funding by PXA of 40% of up to 3 wells and 40% of up to \$3 million of seismic for PXA to earn a 20% interest in the 27 permits and permit applications operated by the Company. (Up to 81 wells and \$81 million of seismic). *Note: the future of one of the 27 permit applications, EPA 92 is uncertain at this stage.*

He Nuclear Limited:

He Nuclear has continued to finance its promoted share of the seismic processing and analysis within the Mt Kitty (EP125) and Magee (EP82) Prospect Blocks as the Group moves closer to drilling with a finalized drill location being selected. 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.

Rawson Resources Limited:

On the 26th October 2007, Merlin Energy Pty Ltd, ("Merlin") a wholly owned subsidiary of Central Petroleum Limited ("CTP") executed a formal Farmin agreement 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 Farmin Agreement 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 RAW's EP 97 as well as the Simpson prospect in EP 97 during 2008. Both permits cover large areas of the Permian Pedirka Basin with Triassic and Jurassic Eromanga Basin sediments overlying the older Permian sequence.

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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.

Traditional Oil Exploration Pty Ltd:

During the quarter, Merlin Energy Pty Ltd completed the acquisition of Exploration Permits 105, 106 and 107 in the prospective Amadeus and Pedirka basins in the Northern Territory from Traditional Oil Exploration Pty Ltd via the total payment of \$100,000 and the issue of 1,500,000 ordinary shares in Central Petroleum Limited. 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.

The acquisition has added an additional 27,000 square kilometres or 6.5 million acres of ground to the Central Petroleum Limited portfolio.

Other farmout deals are being progressed to formal agreements.

DRILLING

Rig Secured:

Central Petroleum Limited and Hunt Energy and Mineral Company Co. - Australia Pty Ltd ("Hunt") have signed a binding Letter of Intent subject to contract and technical inspection to utilise Hunt Rig 2 on Central's 2008 drilling programme timed to commence following the end of the Northern Territory wet season. Under the agreement, Rig 2 will be available to spud from March 1st to April 30th 2008 for a minimum programme of 2 conventional wells. However, Central may exercise an option to drill up to 5 more conventional wells and 3 coalbed methane wells.

The drilling programme is of course subject to various operational contingencies and exploration results. Only one well (apart from the attempted 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 allowing for the potential transport of liquids by bulk rail tankers direct to wharf facilities at Port Darwin.

Drilling Manager Appointment:

Central Petroleum Limited has appointed Mr Randy Blaine Frazier as Drilling Manager effective from appropriate visa issue to manage its drilling programmes, production development, logistics and operations. Mr Frazier has both big and small company experience internationally in remote areas across exploration and production drilling and completions, pipelines and gas treatment including conventional, Coal Bed Methane and Helium development and production.

Mr Frazier has left the position of Shah Deniz Performance Unit Leader based in Baku, with BP Azerbaijan to join Central.

He has owned and operated a small drilling contracting company rig in remote areas prior to his experience with BP and was a workover engineer in the Hugoton Gas Field (North America's biggest gas and Helium field) where he had reservoir oversight of 1000 gas wells.

For BP, Mr Frazier, as Western Onshore US Production Manager had oversight of all of BP's production in Texas, New Mexico, Colorado, Wyoming, Montana, Utah and California as well as extensive exposure to drilling, fracture stimulation, dewatering and production of Coal Bed

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Methane (CBM) in the San Juan Basin, one of the world's most recognised and longest producing CBM provinces.

He has worked in drilling engineering, reservoir engineering and production engineering in ultra deep high pressure regimes as well as shallow mature fields with enhanced oil recovery techniques. In Alaska he supervised a multi-disciplinary team of reservoir engineers, petroleum engineers, geologists and geophysicists to manage production decline in five fields and integrated a team from the newly formed BP, Arco and Amoco merger in the area.

Mr Frazier has experience in exploration and production in Siberia which hosts similar geology in part to the Neo-proterozoic Amadeus Basin and at one time managed the logistics of aviation, marine, supply base, environmental, waste management and integrated planning for BP in Azerbaijan.

Mr Frazier is a graduate Petroleum Engineer from Oklahoma State University and is married with 5 children. It was anticipated that Mr Frazier would commence full time duties early in the New Year.

CORPORATE

BOND SUBSCRIPTION AGREEMENT

Central Petroleum Limited announced on 20th November 2007 that it had entered into a Bond Subscription Agreement with D.B. Zwirn Mauritius Trading No. 3 Limited (DBZ) (Agreement).

The Agreement provides the framework for the Company to raise up to \$80,000,000 by issuing convertible zero coupon bonds over a maximum time frame of up to five years, in \$1,000,000 tranches. The Company proposes to use the funds raised to fund its exploration program, possible development and infrastructure and possibly the purchase of a drilling rig.

DBZ is wholly-owned by D.B. Zwirn Special Opportunities Fund, L.P., a Delaware limited partnership managed by D.B. Zwirn & Co., L.P. (DBZ & Co.), a global alternative investments manager and merchant capital provider.

The capital raising required shareholder approval which was gained at a General Meeting of the Company on 21st December 2007. A resolution to issue a discounted share package to the Martin Place Securities Staff Super Fund required as a condition to initiate the issue of bonds to DBZ & Co was approved at an adjourned General Meeting held on January 11th 2008.

The rolling convertible bond arrangement ushers in a new era of potential funding for the Company as it gears up to explore the biggest acreage package of operated ground in Australia.

FINANCIAL

At the end of the Quarter, the Group had available funds of approximately \$13,271,000. 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")

31 December 2007

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 (b) development (c) production (d) administration	-712	-1,134
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	238	425
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	-1,023	-2,152
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	-14	-20
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	-14	-20
1.13 Total operating and investing cash flows (carried forward)	-1,037	-2,172

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1.13	Total operating and investing cash flows (brought forward)	-1,037	-2,172
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-70	10,211
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	-70	10,211
	Net increase (decrease) in cash held	-1,107	8,039
1.20	Cash at beginning of period	14,378	5,232
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of period	13,271	13,271

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	187
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

Share placement of 1,500,000 shares at 25c each to Traditional Oil Pty Ltd as part consideration for the Sale & Purchase Agreement associated with EP 105, 106 and 107 in the Northern Territory.

- 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	4,000
4.2	Development	0
	Total	4,000

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	318	76
5.2	Deposits at call	12,953	14,302
5.3	Bank overdraft	0	0
5.4	Other (provide details)	0	0
	Total: cash at end of quarter (item 1.22)	13,271	14,378

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				

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	177,423,503	166,633,639		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,500,000	1,500,000		
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>	95,961,760 300,000 21,250,000 8,000,000 3,450,000	95,961,760 0 0 0 0	<i>Exercise price</i> \$0.25 \$0.25 \$0.20 \$0.20 \$0.30	<i>Expiry date</i> 30/6/10 31/1/10 31/5/10 20/2/11 30/11/10
7.8	Issued during quarter	3,450,000	0	\$0.30	30/11/10
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: 23 January 2008

Marco Di Silvio – Company Secretary

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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