

24 October 2008

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

QUARTERLY REPORT
JULY TO SEPTEMBER 2008

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.

The main highlights of the quarter to September 30th were the drilling of the Blamore 1 well in EP 93, (Petroleum Exploration Australia Limited ("PXA" - 20%) and Merlin Energy Pty Ltd, a Central Petroleum Limited wholly owned subsidiary ("Merlin"- 80%). The Group's first Coal Bed Methane well, CBM93001, in EP 93 (Merlin 80%) with PXA (20%). Following completion and suspension of CBM93001 as a potential producing well to be flow tested at a later date, Hunt Rig 2 was mobilised to Simpson 1 in EP 97 (The Simpson Prospect Block) in Joint Venture with the permit holder Rawson Resources Limited, ("Rawson"-20%), PXA (15%) and Merlin (65%). Simpson 1 was subsequently spudded on 1st October 2008.

Although a commercial oil discovery has not been made, great strides have been made in the Group's understanding of the basins involved by the recently acquired and processed seismic and of course the drilling results obtained to date. Central Petroleum Limited is the Operator of all of the Joint Venture operations.

Wells Drilled and Planned for the Quarter

- Blamore 1 oil - this well was plugged and abandoned The well suffered hole instability problems and although terminated prematurely at 2,128m before reaching the planned Total Depth of 2,500m, demonstrated the existence of a much thicker sequence of Permian gas bearing coals than anticipated. Although attempted Drill Stem Tests ("DSTs") of the coal beds failed due to tool problems, the MREX (Nuclear Magnetic Resonance electric log) showed evidence of permeability, there were 160m of net coal interpreted and gas inclusive of heavier fractions of up to a total reading of 233 units was recorded during drilling. The results of the drilling at Blamore 1 were thought to have very positive implications for the Coal Bed Methane ("CBM") drilling programme later in 2008. A third party with interests in the Australian energy sector funded the cost of attempted Drill Stem Tests (DSTs) at an approximate cost of \$600,000 in return for an exclusive option to negotiate on farmins over the Group's acreage as well as a placement or placements of shares in the parent entity, Central Petroleum Limited. The option subsequently expired on 6th October 2008.
- CBM93001 Coal Bed Methane – this well intersected over 140m of net coal, a similar package to the coals at Blamore 1. The lower coals showed significant gas peaks while drilling and drill stem testing showed evidence of permeability. Comprehensive testing



central
PETROLEUM
LIMITED

ABN 72 083 254 308

Suite 3, Level 4
Southshore Centre
85 The Esplanade
South Perth
Western Australia
6151

Postal: PO Box 197
South Perth
Western Australia
6951

Phone:
+61 8 9474 1444

Fax:
+61 8 9474 1555

info@centralpetroleum.com.au
www.centralpetroleum.com.au

Wholly owned
subsidiaries:

merlin
ENERGY
PTY LTD
ABN 95 081 592 734

ordiv
PETROLEUM
PTY LTD
ABN 29 111 102 697

frontier
OIL & GAS
PTY LTD
ABN 91 103 194 136

helium
AUSTRALIA
PTY LTD
ABN 11 078 104 006

merlin
WEST
PTY LTD
ABN 59 114 346 968

For personal use only

of data gathered is still in hand but preparations are being made to apply for permission to attempt to flow the well after the installation of appropriate de-watering equipment.

- The Simpson1 oil prospect well was targeting 190 MMbbls UOIP ready to drill. This well was subsequently spudded on the 1st October 2008 but plugged and abandoned as a non-producer following electric logging. Hunt Rig 2 was released on the 22nd October 2008.
- Further decisions on the remainder of the 2008 drilling programme await the deliberations of the Joint Venture partners at the time of preparation of this report. The proposed programme remaining for 2008 is :
- Coal Bed Methane wells CBM 93002 and 107001 - first stage exploration for 34-70 TCFG prospective recoverable resources ready to drill.
- Mt Kitty gas-Helium-condensate 3.0 TCFG, 185 BCFG Helium UGIIP ready to drill.
- Ooraminna gas-1.9 TCFG UGIIP ready to drill.

Contingent wells 2008

- Johnstone oil 320 MMbbls UOIP additional pre-drilling seismic was fully mapped by June 2008.
- Waterhouse gas 2.7 TCFG UGIIP ready to drill.
- Magee gas-Helium-condensate 60 BCFG, 4 BCFG UGIIP additional pre-drilling seismic was fully mapped by August 2008.

Note : "UOIP" refers to Undiscovered Oil Initially In Place at "high" estimate and "UGIIP" refers to Undiscovered Gas Initially in Place at "high" estimate.

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. There are significant logistical problems to overcome in relation to long range desert operations but the Group has found ways to reach solutions to any problems encountered thus far.

AMADEUS BASIN

EP 82, EP 106, EPA 111, EP 112, EP 115, EP 118, EPA 120, EPA 124, EP 125, EPA 133, EPA 137, EPA 147, EPA 149, EPA 152 and SPA 7/04-5

Structural and Remote Sensing Analysis and Seismic

During the quarter, the group applied for and received a grant from the Northern Territory government for half of the cost of conducting a gravity survey over the Henbury area in EP 112 to assist in mapping salt related structures and prospects.

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

PEDIRKA BASIN

EP 93, EP 97, EP 105, EP 106, EP 107, EPA 130, EPA 131 and PELA 77

The results of Blamore 1 have been discussed above.

In the Pedirka/Eromanga Basin, the 2008 seismic survey covered three strong oil leads, the Vivienne, Guinevere and Madigan leads. Total petroleum addressed by these leads is up to c.1 Billion barrels UOIP. Mapping of the seismic results has commenced but results have not as yet been readied for release. Seismic acquisition over the track to Blamore has provided better definition of coal beds and conventional targets on the Andado Shelf and the Eringa Trough.

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

For personal use only

large oil/gas-condensate-helium prospects potentially capable of delivering very significant early cash flow.

A new play type was announced on the 29th August 2008. A study of recently acquired seismic in the Pedirka Basin area synthesized with older vintages of seismic allowed the definition of a new Devonian carbonate platform complex play at depth in the underlying Warburton Basin sediments largely within the Simpson prospect block in EP 97, the subject of a farmin deal with Central, Rawson Energy Limited (RAW) and PXA being joint venture partners at participating interest levels projected of 65%, 20% and 15% respectively.

Two prospects, the Erec and Lucan prospects, based on the new Devonian carbonate complex play type have been outlined to date have combined potential to host large volumes of Undiscovered Oil (or Gas) Initially in Place up to a cumulative total in excess of about 5 Bbbls (billion barrels) oil equivalent at "high" estimate. (SPE definition)

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

Other Pedirka Basin Highlights

Other highlights pertinent to the Pedirka Basin included:

- Two new oil leads, Flat-top and Roundtop, were delineated on the Blamore Track seismic.

LANDER TROUGH EPA 92, EPA 129 and EPA 160

The CLC notified the Group that its application for Exploration Permit EPA 92 by Merlin had been rejected. Thus far, the CLC has not explained to the Group, as required by law, the processes undertaken by them. The Group has a number of options in regard to the area applied for inclusive of 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. It has been revealed that contrary to the provisions of the Aboriginal Land Rights Act, the CLC did not facilitate initial meetings with all of the relevant Traditional Owners some of whom may now seek to take action against the CLC.

The CLC has informed the Group that consent to grant of EPA 129 had also been withdrawn but the Group applied for an extension of the time to negotiate to the Minister of the Northern Territory Department of Primary Industry, Mining and Fisheries which was granted subsequent to 30 June 2008 and now awaits the CLC to arrange initial meetings with relevant Traditional Owners.

A new Exploration Permit, EP 160 was applied for bordering the northern boundary of EPA 92 and targeting similar play types.

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

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

Merlin Energy Pty Ltd emerged during 2007 as the successful bidder for three exploration permits in Queensland with areas totalling 9,000 km². 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 ATP 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 right to negotiate process is being pursued by the Group to facilitate the granting of these permits.

For personal use only

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.

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 tonnes 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") and Helium

Discussions continue with appropriate GTL technology holders concerning the Group's long term plans to monetise any gas reserves proved by drilling. With the recent intensity of activity in the CBM industry, especially the various plans mooted to produce LNG from Queensland CBM resources having a positive effect on domestic gas prices, it is conceivable that domestic gas prices may improve in the future to the extent that a pipeline linking central Australia to the domestic gas markets on the eastern seaboard may be a viable option to assist in monetising otherwise stranded gas thought to exist in the central Australian Amadeus, Pedirka, Lander Trough and Georgina basins. The Group believes that GTL is probably the best option to monetise gas from central Australia under the current gas pricing regime but will keep an open mind to alternatives.

FARMINs / FARMOUTS

Petroleum Exploration Australia Limited ("PXA"):

PXA continued as a joint venture partner with a 20% participating interest to be funded at the 40% level in accordance with the terms of a formal farm-out agreement executed on 15 February 2008. The terms of the farm-out agreement 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 permits and permit applications operated by the Company.

He Nuclear Limited:

He Nuclear has continued as joint venture partner with a 25% participating interest to be funded at the 50% level of exploration within the Mt Kitty (EP125) and Magee (EP82) Prospect Blocks.

Trident Energy Limited:

On 28 June 2007, Frontier Oil & Gas Pty Ltd signed a Memorandum of Understanding with Trident Energy Limited ("Trident") 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.

Trident is focusing on risk reduction through the application of leading-edge exploration methods to high-grade seismically-defined prospect portfolios, particularly in modelling 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.

The group is moving closer to execution of a formal agreement with Trident.

For personal use only

Other:

The Group continues with various discussions and preliminary negotiations concerning additional farm-outs, strategic stabilising investment relationships, technology based joint ventures and capital raising avenues.

MANAGEMENT CHANGES

Resignation of Mr Marco Di Silvio

Since the end of the 30 June 2008 financial year Mr Marco Di Silvio resigned as Chief Financial Officer and Company Secretary to pursue a career appointment overseas.

Appointment of Bernard Crawford

Mr Bernard Crawford joined the Company in August 2008 as Chief Financial Officer and Company Secretary.

FINANCIAL

During the quarter, the Group placed a total of 4,705,261 shares from the shortfall following the closure of the Non Renounceable Rights Issue raise a net total of \$685,452.

At the end of the Quarter, the Group had available funds of approximately \$8,210,000. The attached Appendix 5B shows the cash movements and other information for the Quarter.

Yours sincerely,
Central Petroleum Limited



John Heugh
Managing Director

For personal use only

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 2008

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	(7,244)	(7,244)
(b) development		
(c) production	(814)	(814)
(d) administration		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	227	227
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
	(7,831)	(7,831)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects		
(b)equity investments		
(c) other fixed assets	(17)	(17)
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 (provide details if material)	(40)	(40)
	(57)	(57)
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(7,888)	(7,888)

+ See chapter 19 for defined terms.

For personal use only

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)		
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	685	685
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	685	685
	Net increase (decrease) in cash held	(7,203)	(7,203)
1.20	Cash at beginning of quarter/year to date	15,413	15,413
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	8,210	8,210

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	179
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

Cash Calls to Joint Venture partners totalling approximately \$7,711,964 are outstanding.

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.

For personal use only

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	7,000
4.2 Development	
Total	7,000

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	8	40
5.2 Deposits at call	8,202	15,373
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	8,210	15,413

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		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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	257,013,526	257,013,526		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	4,705,261	4,705,261		
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	95,947,703	95,947,703	<i>Exercise price</i> \$0.25	<i>Expiry date</i> 30 Jun 2010
	300,000	0	\$0.25	31 Jan 2010
	21,250,000	0	\$0.20	31 May 2010
	7,000,000	0	\$0.20	20 Feb 2011
	1,800,000	0	\$0.30	30 Nov 2010
	11,000,000	0	Various	03 Jan 2012
	3,650,000	0	\$0.30	31 Mar 2011
	200,000	0	\$0.33	31 Jul 2011
	1,500,000	0	\$0.30	31 Aug 2011
7.8 Issued during quarter	200,000	0	\$0.33	31 Jul 2011
	1,500,000	0	\$0.30	31 Aug 2011
7.9 Exercised during quarter				
7.10 Expired during quarter	1,200,000 (Cancelled)			

+ See chapter 19 for defined terms.

For personal use only

7.11	Debentures <i>(totals only)</i>		
7.12	Unsecured notes <i>(totals only)</i>		

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.

Signature



Sign here:

Date: 24 October 2008

~~(Director/Company secretary)~~

Print name: John Heugh

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.

== == == == ==

+ See chapter 19 for defined terms.

For personal use only