

17 November 2015

CENTRAL WELCOMES NEGI ANNOUNCEMENT

Central Petroleum Limited (ASX:CTP) (“**Central**” or “**Company**”) today praised the decision to build the North East Gas Interconnector (“**NEGI**”) as a huge step forward for the Territory gas industry and the development of a more competitive gas supply into a critically tight Australian domestic gas market.

The Chief Minister of the Northern Territory, the Honourable Mr Adam Giles, announced that Jemena Limited (“**Jemena**”) has been selected as the party to build, own and operate the NEGI pipeline connecting Tenant Creek in the Northern Territory to Mt Isa in Queensland with a gas pipeline of 14” diameter. Importantly, the winning bid by Jemena has financing and is not subject to reserves beyond those already available in the Northern Territory. Other than for the normal conditions for a project of this nature, this very important energy infrastructure project will now be built.

The pipeline will be able to transport much needed natural gas into the Eastern seaboard market by 2018 and has sufficient initial capacity to allow the Northern Territory PWC’s gas and gas from Central’s targeted gas production from the Amadeus Basin to be transported to market.

As the announced Northern route is the shorter route, it is anticipated to be completed a year earlier than the alternative Southern route the result of which is that Central will receive a substantial NPV benefit by generating revenues earlier. In addition, as the cheaper capital option, the Northern route should be able to provide a lower pipeline tariff relative to the more expensive Southern route.

Central is well-placed to take advantage of the Northern route which can access the east coast market via a connection at Ballera. Central has already received several expressions of interest for the sale of all of gas into the east coast market. Now that the pipeline owner has been determined and a route selected, Central can move forward with finalising these negotiations.

Central’s Managing Director, Mr Richard Cottee, said the Company presently had sufficient reserves for a firm supply of 11 PJ per annum (30 TJ per day). The present work at Mereenie indicates that by the first quarter of next year, firm gas supplies available for sale through the NEGI pipeline should increase to around 45 TJ per day. Under this scenario, when combined with existing sales contracts of 4.4 PJ per annum, Central should have around 20 PJs per annum of gas contracted into the domestic market.

“Central appreciates the vision and the hard work of the Northern Territory Government in turning a much needed infrastructure project into reality”, Mr Cottee said.

“The national gas market is facing a severe imbalance beginning over the next few years as LNG production reaches full volumes. Whilst the supply shortfall is significant, the introduction of natural gas from the Northern Territory should help mitigate the impacts of that imbalance. In addition, the creation of a new market for onshore gas discovered in the Northern Territory is truly transformational for the Territory and Central Petroleum.

“The royalties flowing to the Territory as a result of having these new markets will have a significant impact on the Territory’s financial independence which will be further enhanced by the growth in gas exploration and gas dependent industries.

“Central with its vast gas-prone acreage will be a major beneficiary of NEGI as our gas permits are expected to provide more than half of NEGI’s initial throughput”, Mr Cottee said.

Mr Cottee said the alternative option, the Southern route, could have provided greater gas security to manufacturers in the Southern half of the east coast as well as improved competition generally in the

Eastern seaboard gas market which would have been in the national interest – both of which are becoming increasingly critical issues as supply shortfalls begin to surface.

“Unfortunately the Federal Government and governments whose states would have benefited from the Southern route left it to the Northern Territory to bear the costs alone with providing that benefit. The Northern Territory has done all that can be reasonably expected of it in the national interest and ought to be congratulated”, Mr Cottee said.

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Media Enquiries

Martin DeBelle at Citadel-MAGNUS
T: +61 (0)2 8234 0100
M: +61 (0)409 911 189

Central Petroleum Limited

ABN 72 083 254 308
Level 32, 400 George Street, Brisbane, QLD 4000, Australia
PO Box 12214, George Street, QLD 4003, Australia

T: +61 (0)7 3181 3800
F: +61 (0)7 3181 3855
info@centralpetroleum.com.au
www.centralpetroleum.com.au