

**26 May 2016**

## **Central signs 5.2 PJ pre-paid gas sale agreement**

- Gas Sales Agreement signed for 5.2PJs of pre-paid gas supplied over 3 years, with up to an additional 3.5PJ of additional gas sales possible over 2 subsequent years
- Central receives immediate payment for the pre-paid gas under the Agreement
- Proceeds from the Agreement enable Central to fully fund the deferred purchase price of \$10M for the Mereenie oil and gas field as well as new reserve growth activities.
- Central's exposure to the Mereenie Production Bonus removed giving future potential savings of \$2.5 to \$8.75 million

Central Petroleum Limited ("**Central**") today signed a "Gas Sales and Prepayment Agreement" ("**GSPA**") with Macquarie Bank Limited ("**MBL**"). Under this agreement Central has agreed to supply MBL with 5.2 PJ of gas to be delivered to either Ballera or Moomba over three years. The gas can be delivered from any of the three fields in which Central has an interest, Dingo, Palm Valley or Mereenie, and is priced as an ex-field \$A fixed price pre-paid gas supply contract. The start date for gas supply is the earlier of the commencement of the Northern Gas Pipeline (scheduled for some time in 2018) or 1 January 2019. There is a mechanism to alter the Delivery Point with MBL paying for any ex-field transport or processing costs.

Central receives an immediate payment from MBL for the gas supply under the GSPA, with the proceeds enabling Central to fully fund the deferred purchase price of \$10M for the Mereenie oil and gas field as well as new reserve growth activities. Out of the proceeds of the GSPA pre-payment, we will remove Central's 50% exposure to the Mereenie Production Bonus obligation (a Mereenie production-dependant bonus of up to \$17.5M payable by the Mereenie JV). The GSPA provides the ability not to physically deliver gas to MBL, in which case Central would pay a financial settlement for that portion of prepaid gas over an agreed repayment schedule. The GSPA grants an option to MBL to purchase up to two years of

further gas sales at an agreed future price amounting to approximately 3.5 PJ of additional sales with the consideration being paid on delivery.

“Selling the presently uncontracted reserves would vest Central’s 50% exposure to the Mereenie Production Bonus. Removing that exposure could save the company between \$2.5 to \$8.75 million in cash payments depending on Mereenie’s average per day boe production. Given Central’s market for gas will include the East Coast from 2018, and the potential for an increase in Mereenie’s gas reserves, the Company sees value in removing the Mereenie Production Bonus exposure at a discounted price now. Ultimately, it eliminates another economic impediment to the efficient commercialisation of our producing gas fields,” said Richard Cottee, Managing Director of Central Petroleum Limited.

“The ability to repay the pre-purchase gas sale through a financial settlement over a number of years after 2018, gives the parties the flexibility to avoid having to conclude a Gas Transportation Agreement by any particular time. This is important given the enormous challenges that are just now starting to develop in the East Coast gas market and the future opportunity for more commercially viable pipeline tariffs. The amount of gas sold under the GSPA is a small portion of available reserves and will not affect the volume of gas Central is presently marketing to the East Coast.”

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