

# Central Petroleum Financial Assistance for Magellan Asset Acquisition

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Brisbane, Australia (ABN Newswire) - An Extraordinary General Meeting (EGM) is scheduled for 11 April 2014 at which time the Board and Management of [Central Petroleum](#) (ASX:CTP) are seeking shareholder approval for 4 resolutions. The Notice of Meeting sent out to all shareholders last week provides a full disclosure for each of these.

Since then I have received a number of queries about Resolution 4 - Financial Assistance For Magellan Asset Acquisition, and feel all shareholders could benefit from further clarification and explanation.

In layman's terms, companies are required by law to have shareholder consent before borrowing money to buy a company (the reason for the purchase is its assets), where it also grants security (a "mortgage") over those same assets. This is deemed to be "financial assistance" at law.

In fact, the transaction is a familiar occurrence in most people's personal life. It is akin to giving a bank security (or "mortgage") over the house you intend to purchase in order to receive a home loan, where such house was the only asset of a company. The loan, together with your cash equity, is then used to pay for the company which holds the home.

In the case of Resolution 4 - Financial Assistance For Magellan Asset Acquisition, Central has agreed to pay Magellan \$35 million for the Palm Valley and Dingo Gas Fields and related assets by buying the company owning those fields. Central will pay \$15 million through scrip (equity) and \$20 million in cash which is funded through a loan from Macquarie Bank.

In order to secure this loan in the most cost effective manner, we are seeking to use the assets being purchased as security for that loan. This arrangement reduces the borrowing costs and leaves Central's other oil & gas permits unencumbered. This leaves the Company with more flexibility to deal with its other permits (such as future farm-outs) and allows cash flow from our Surprise field to remain unencumbered and available to further develop our acreage.

The Board's strong view is that this arrangement is commercially logical and more than justified by the benefits which will contribute to the shareholder wealth created by this acquisition. This view has been strongly endorsed by the market reaction which showed an uplift of over 25% in our share price\*.

For this reason we are seeking your vote IN FAVOUR of Resolution 4 at the upcoming EGM on 11 April 2014 which is a special resolution (75% majority vote required) as well as the other 3 Resolutions.

\* Uplift comparison of the 21 day VWAP immediately prior to the 19 February 2014 announcement of the Palm Valley and Dingo Gas Fields acquisition as compared to the 21 day VWAP after the announcement.

## About Central Petroleum Limited:

Central Petroleum (ASX:CTP) is an ASX listed junior exploration and production company operating what is regarded as the biggest package of prospective acreage in Australia.

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