

Central Petroleum Ltd.: Annual Report to Shareholders

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Brisbane - [Central Petroleum Ltd.](#) (ASX:CTP) (OTCMKTS:CPTLF) directors present their report on the consolidated entity, consisting of [Central Petroleum Ltd.](#) ("the Company", "Central" or "CTP") and the entities it controlled (collectively "the Group" or "the Consolidated Entity") at the end of, or during, the year ended 30 June 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity constituting [Central Petroleum Ltd.](#) and the entities it controls consists of development, production, processing and marketing of hydrocarbons and associated exploration.

OPERATING AND FINANCIAL REVIEW

Operating Highlights

The Company's focus and achievements for the year were as follows:

- An annual HSE performance of 1.07 Total Recordable Incidents per Million Man Hours and a Lost Time Incident rate of zero. Significantly below the industry standard.
- Completion of the 50% acquisition of the Mereenie oil and gas field and operatorship assumed effective 1 September 2015, which, together with the Palm Valley and Dingo fields, brings to three the total producing fields in the Amadeus Basin providing security of supply and operational flexibility.
- Dingo gas field commenced deliveries of gas into the Owens Springs Power Station.
- Development of the NGP (Northern Gas Pipeline, formerly known as NEGI, the North East Gas Interconnector) progressed with the Northern Territory Government's announcement that Jemena Northern Gas Pipeline Pty Ltd had been selected to construct and operate the pipeline.
- Capital Raising to support NGP reserves certification embarked upon with a Share Placement raising \$10.5 million gross in November 2015 and a Share Purchase Plan raising an additional \$1.7 million gross in December 2015.
- ACCC report "Inquiry into the East Coast Gas Market" corroborates the Company's gas strategy.
- Mereenie Field Development program was optimised to maximise reserve upgrades and reduce costs. The savings realised through these efficiency gains will be used to further develop the Company's knowledge of the Stairway and P4 formations. The Reserve Upgrade Program comprises three stages:
 - Stage 1 - Consisted of reviewing all existing data from Mereenie including nearly 60 wells already drilled and selected wireline pressure and flow testing at Mereenie and the building and history matching of a static and dynamic model of the gas reservoir at Mereenie. This was completed at a cost of \$4 million.
 - Stage 2 - Subject to joint venture approval consists of refining and optimising of Stage 1, including possible production testing. This should increase further the reserves available for contracting. In addition, production results at Dingo will be incorporated.
 - Stage 3 - Subject to joint venture approval will consist of appraisal drilling and production testing on the Stairway Formation generally with a target of doubling the Stage 2 reserves at Mereenie. Successful completion of the Stage 3 reserves plus reserve upgrades at Palm Valley and Dingo would result in future sales to Central (including deliveries under existing contracts) of around 250 PJ.
- Stage 1 of Reserve Upgrade Programme completed and results certified by Netherland, Sewell and Associates Inc. resulting in 240% increase in Mereenie's Proved reserves to 62 PJ and a 22% increase in

Proved and Probable reserves to 75 PJ (Central equity accounted). In addition, a 50% increase in 2C resources.

- The recommendations outlined in the ACCC Inquiry into the East Coast Gas Market were taken to the Council of Australian Governments ("COAG") by the Federal Minister for Environment and Energy on 19 August 2016 following the electricity crisis in South Australia and Tasmania.
- A Gas Sales and Prepayment Agreement was signed with Macquarie Bank Limited ("MBL") for 5.2 PJs of prepaid gas supplied over three years with up to 3.5 PJs of additional gas sales possible over two subsequent years. Immediate payment under this agreement for the 5.2 PJs was received by Central.
- Under a Sale and Purchase Deed with MBL, dated 26 May 2016, Central removed its exposure to the bonus as described in paragraph Note 31(a)(iii). 50% of the bonus is payable by MBL to [Central Petroleum Ltd.](#). This effectively offsets the Consolidated Entity's obligations to indemnify Santos for the 50% of any Bonus payable.
- The final \$10 million acquisition payment was made to Santos for Central's 50% interest in the Mereenie oil and gas field.
- Central reached a majority of field personnel being locally employed in the second half of the year delivering on its policies:
 - Family values for working families
 - Northern Territory for Northern Territorians
 - Traditional values for Traditional Owners
 - Supporting local businesses
 - Payment of royalties to the Northern Territory Government.
- Annual statutory plant inspections at Mereenie and Dingo were carried out with Palm Valley providing gas to customers while plants were shut-down.
- Testing of the Stairway Sandstone at Mereenie from the previously drilled West Mereenie-15 continues free flowing gas at an average 1.1 million cubic feet per day (approximately 1.1 TJs/day) with a low nitrogen content of 2.6%.
- Underlying EBITDAX positive for the first time in the Company's history, despite low oil prices and only 10-months contribution from Mereenie.

To view the full report, please visit:
<http://abnnewswire.net/lnk/33HF7484>

About Central Petroleum Limited:

[Central Petroleum Ltd.](#) (ASX:CTP) (OTCMKTS:CPTLF) is an oil and gas explorer and producer listed on the Australian Securities Exchange focused on supplying the domestic gas market. Central is advancing several separate projects across what is regarded as the biggest package of proven and prospective oil and gas acreage across central Australia. This spread of assets gives Central multiple options for growth and development. 88% of this land being gas prone has led to the Company's focus on becoming a major domestic gas producer.

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