

Central Petroleum Limited: Market Update - Seeking Development Options

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Brisbane - The Board wishes to update shareholders on the Central Petroleum's ("Central" or "Company") (ASX:CTP) (OTCMKTS:CPTLF) corporate and commercial position.

As previously announced, the Company recently received an indicative non-binding takeover proposal from Macquarie SCT Pty Ltd, an entity of Macquarie Bank ("Macquarie"), which the Board rejected as being not in the interests of shareholders. Macquarie is now conducting Due Diligence, with a view to considering another proposal.

This engagement with Macquarie comes at a time when the Australian energy markets are facing potentially significant change that would advantage Central in future years.

There is now a widespread public recognition of a looming gas shortage facing the Australian east-coast demand centres from 2018. Expectations of significant increases in consumer gas prices, and particularly cost increases to the manufacturing sector are placing at risk hundreds of thousands of jobs.

Federal and state governments are considering changes to gas pipeline regulation, recommended by the ACCC, which could significantly reduce the cost of transporting gas from the Northern Territory. These changes, if adopted, would also advance the development of a more effective domestic gas market.

In parallel, the Northern Territory Government commissioned the construction by Jemena of the Northern Gas Pipeline ("NGP") to be completed by mid-2018. This will provide a direct link between Central's gas fields near Alice Springs and the east-coast gas network which will allow us to negotiate commercial sales for the delivery of gas from the time the pipeline is completed.

Central has three producing gas fields at Mereenie, Dingo and Palm Valley with 207 PJ of 2P reserves and production capacity of ~65 TJ/d. In addition, the Company has one of the largest greenfield acreages in Australia including five identified reserve opportunities in proven oil and gas provinces. Our joint venture partner Santos is presently undertaking seismic as part of the Stage 2 Farm-in in the Southern Amadeus Basin as it believes the geological potential offers "multi-tcf [trillion cubic feet] scale"^[1].

Over the last three years Central has moved from being a substantially unfunded petroleum explorer, to an early stage gas producer with great potential to participate in the undersupplied domestic gas market that is currently developing. However, while Central has a pathway to positive cash-flow it remains unfunded for the capital it requires to be able to benefit from the expected opportunities of the post-2018 domestic gas market for which the company is well positioned.

With most of Australia's existing gas reserves committed to LNG-exports, Central's proven reserves, its production capacity and the market potential created by a looming domestic gas shortfall together make Central a highly attractive target to a forward-looking investor. At the same time the Company's funding challenges and its recent share price performance could make it difficult for the Board to resist an Offer that provides shareholders with a liquidity opportunity at a significant value premium, in the absence of an equity injection alternative.

The Board is actively pursuing options that could maximise value for shareholders. These include alternative proposals and equity capital structures and arrangements with the potential to fund future development of Central's assets ahead of the NGP.

There are no proposals capable of acceptance before the Board at this time. However, Central shareholders approaching the Christmas holiday season should remain alert to regulatory and market changes that could significantly impact the value of your shares at any time.

To view a Market Update video from Richard Cottee, Managing Director and Chief Executive Officer, please visit:

<http://www.abnnewswire.net/lnk/PNI7DSR8>

[1] Australian Financial Review, 12 December 2016, page 15

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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