

**Central Petroleum Limited**  
(ASX:CTP)

# CLOSING THE GAP

(Gas Acceleration Programme)

## Mitigating the Australian Energy Crisis

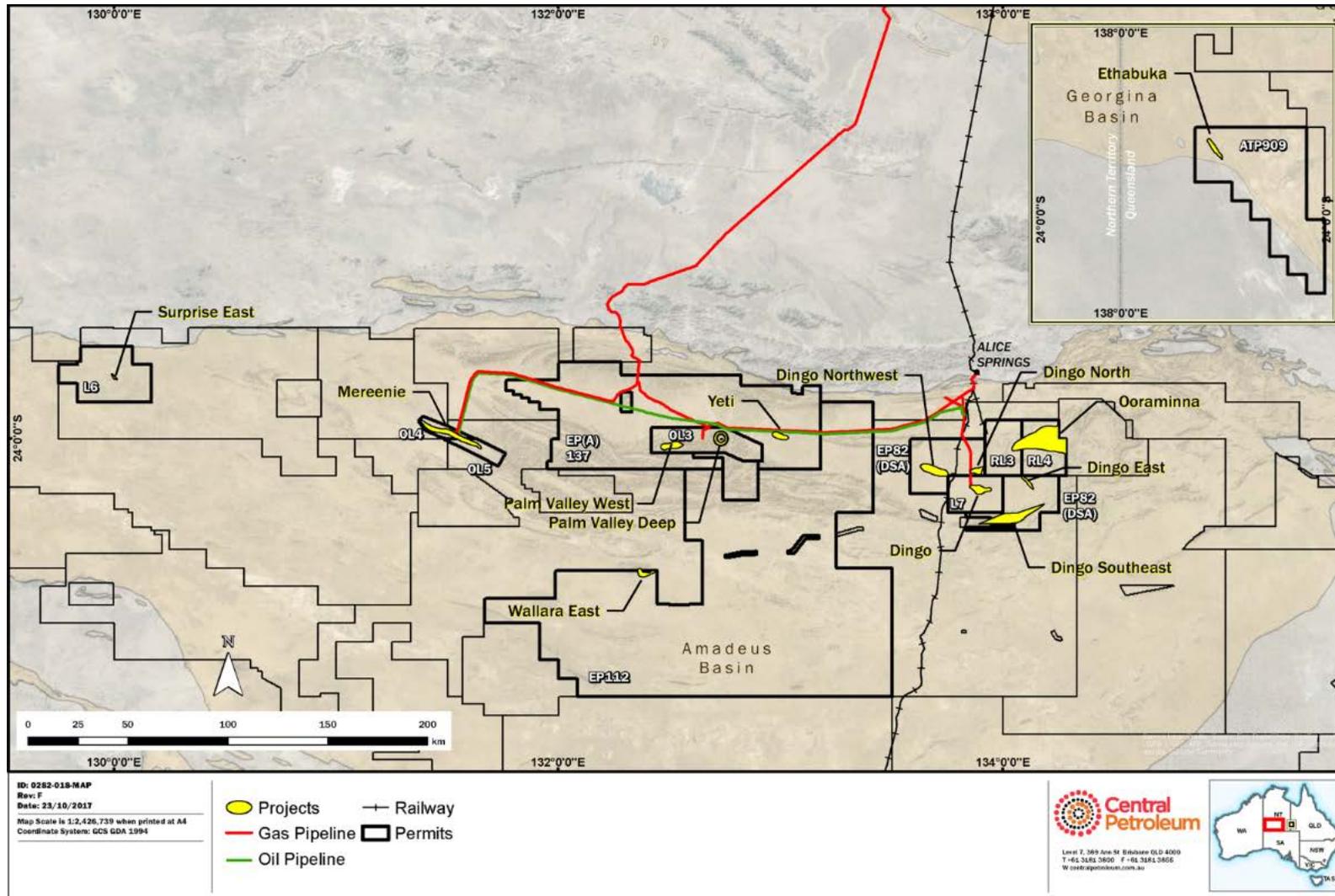
“Never let a good crisis go to waste”

– Churchill

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# PROJECT LOCATIONS



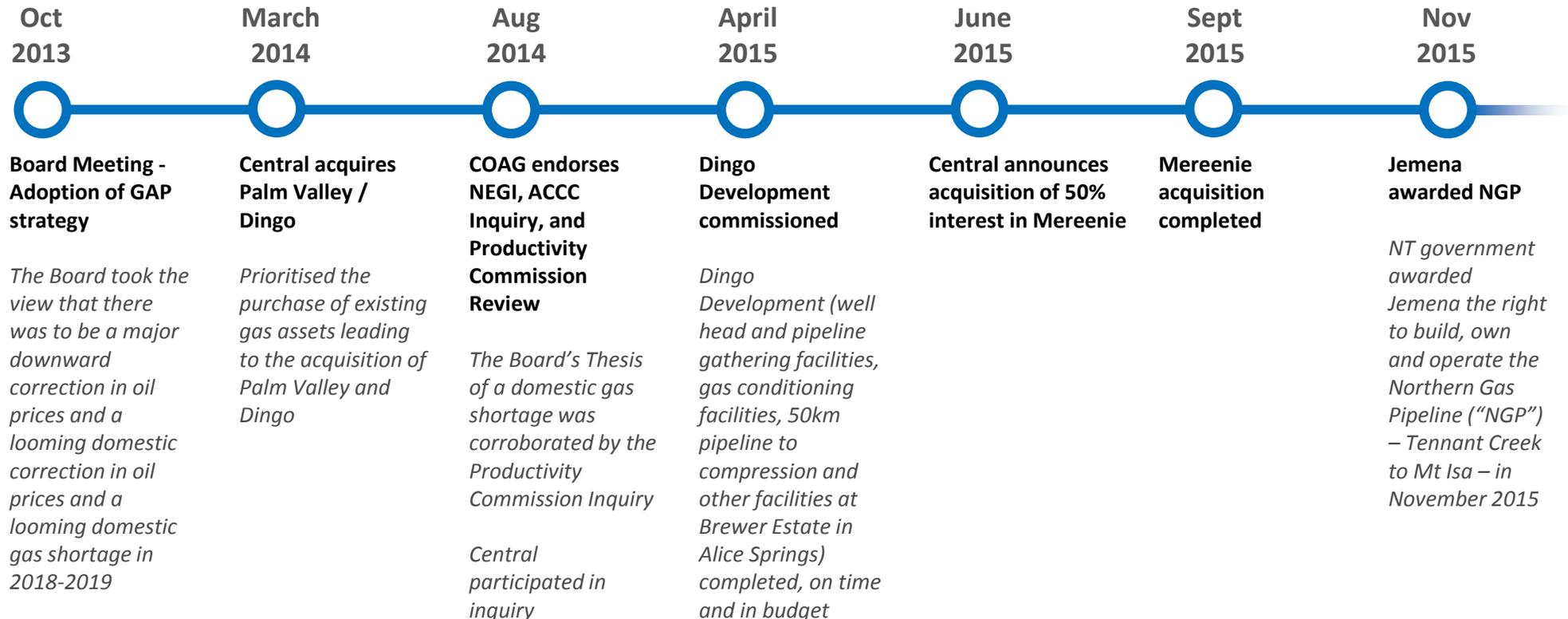
MEREENIE	50%
PALM VALLEY	100%
OORAMINNA	100%
DINGO	100%

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# THE STORY SO FAR

Preparatory work on Gas Acceleration Programme (“GAP”) aimed at a low-risk cost-effective drilling programme with the objective of substantially increasing our potential sales gas available for the east coast.



*Central allocated resources to causing the Northern Territory to be interconnected to the east coast by gas pipeline*



# THE STORY SO FAR (CONT.)

Closing the GAP still to come...



# OPERATIONAL UPDATE

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Consideration	Update
<b>Stairway Testing programme</b>	<ul style="list-style-type: none"><li>• Continued through 2017:<ul style="list-style-type: none"><li>– West Mereenie 15 free flowing gas from Stairway at sustainable rates with a low nitrogen content of 2.6%</li><li>– Palm Valley natural fracture modelling underway</li></ul></li></ul>
<b>Dingo Upgrade - TEG</b>	<ul style="list-style-type: none"><li>• TEG unit being ordered in time as part of the Dingo upgrade for the Owen Springs Power Station upgrade</li></ul>
<b>Production workforce</b>	<ul style="list-style-type: none"><li>• Production workforce in the Northern Territory transformed to:<ul style="list-style-type: none"><li>– 1/3 local indigenous</li><li>– 1/3 local non-indigenous</li><li>– 1/3 FIFO</li></ul></li></ul>
<b>Local economic activity</b>	<ul style="list-style-type: none"><li>• Local economic activity is around \$3.4 million annually – an increase of \$2.8 million p.a. since assuming operatorship of producing gas fields in the Northern Territory</li></ul>

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# COMMERCIAL AND STRATEGIC UPDATE

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The GAP is based on brownfield economics using existing infrastructure enabling “success” to be sold and gas delivered.

Consideration	Update
<b>Reserves and cash</b>	<ul style="list-style-type: none"><li>• Targeted Reserves 446 PJ (Most Likely and Existing)</li><li>• Cash balance at the end of the quarter was \$28.6 million with EDL revenue to come</li></ul>
<b>Financials</b>	<ul style="list-style-type: none"><li>• Central’s FY2018 EBITDA* is forecast to be positive for the first time in corporate history following the first full year of revenue from the EDL gas sale agreement which represents a 46% increase in FY2018 contracted gas sales</li></ul>
<b>Closing the GAP</b>	<ul style="list-style-type: none"><li>• Ground-breaking on NGP on 12 July – on track to be operational by Q4 next calendar year</li><li>• Ensured Central not caught by Fracking Moratorium in Northern Territory</li><li>• Government approval for Stairway drilling submitted</li></ul>

\* Excluding the \$25 million exploration programme identified in this presentation and the positive net impact of Total’s withdrawal from the Southern Georgina Joint Venture in fiscal 2017.



# OTHER RECENT DEVELOPMENTS

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Development	Update
<b>Mereenie marketing agreements</b>	<ul style="list-style-type: none"><li>• Central and Macquarie have agreed to the future joint marketing subject to ACCC authorisation</li><li>• ACCC interim approval sought</li></ul>
<b>Pipeline Reform</b>	<ul style="list-style-type: none"><li>• COAG has endorsed a process to put downward pressure on pipeline charges in three tranches</li><li>• Tranche 1 for unregulated pipelines has now been legislated dealing with Pipeline Access, Arbitration and Pricing Principles – It has decided that the valuation principles is based on construction costs recovery not accounting depreciation and backhaul on cost recovery basis</li><li>• Tranche 2 for regulatorial pipeline has commenced with initial submissions lodged on 22 August</li><li>• Tranche 3 is ongoing and deals with day-ahead auctions of unutilised capacity</li><li>• All reforms expected to take effect in 2018</li></ul>

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# OTHER RECENT DEVELOPMENTS

Development	Update
<b>Non-cash accounting adjustment</b>	<ul style="list-style-type: none"><li>As noted in the June 2017 Quarterly Activities Report lodged on 27 August, Central made a non-cash adjustment under AASB 139 to financial profit of approximately \$9.5m<sup>1</sup> for the 2016/17 financial year</li></ul>

<sup>1</sup> As announced on 26 April 2017 Central entered into a Gas Sales agreement “GSA” with EDL NGD (NT) Pty Ltd (“EDL”) with gas deliveries commencing 1 June 2017.

In May 2016 Central announced it had entered into a 5.2PJ pre-paid gas sales agreement “GSPA” with Macquarie Bank Limited “MBL”, repayment of which will commence following commissioning of the Northern Gas Pipeline anticipated in late 2018. Under the GSPA, MBL has a quarterly option to take a financial settlement in lieu of taking the physical delivery of the gas. The amount payable by Central, should MBL opt for a financial settlement, is dependent on the actual price received under any new GSA’s supplied from the agreed production areas. Where there are no new GSA’s or the quantity delivered under new GSA’s is less than the GSPA volumes, a floor financial settlement amount would be payable.

The economic consequences of the EDL GSTA was disclosed in the First Supplementary Scheme Booklet. As a consequence, Central is required under AASB 139 to adjust the carrying amount of the financial liability in line with the sales price negotiated under the EDL contract, net of any additional gas transportation costs. As the price paid by EDL under the GSA, net of transportation costs, exceeds the floor financial settlement price, the impact of the adjustment will be an expense to current year profit and loss of \$9.49 million which reflects the total increase in potential financial liability over the life of the GSPA.

It is important to note that the expense to be recorded for the 2016/17 financial year is a non-cash accounting adjustment. Additionally, this accounting treatment will record a liability reflecting the full expected amount to be paid out should MBL opt for a financial settlement in lieu of taking physical delivery of gas which would appear to be the conservative accounting treatment.

It is also important to note that Accounting Standards do not allow Central to recognise any future assets associated with the revenue expected to be received under the EDL contract which triggers the increase in value of the GSPA financial liability. In this regard, Central’s future accounting periods’ profit and loss figures will include recognition of revenue under the EDL contract not currently recognised as an asset in the accounts for the 2016/17 financial year. In addition, where MBL elect for physical delivery of gas under the GSPA, the recorded financial liability will unwind resulting in an increase in accounting revenue for that period.

# RESERVES POTENTIAL

- Present 2P Reserves are 125.9 PJ and, under GAP, have identified three targets where known gas exists in the zone. These targets can be appraised by a \$25 million four horizontal well programme with no intention of fracking

	No. of Wells	Gross Potential	Net to Central	
1	Mereenie Stairway	2	110 – 186	55 – 92.5 <sup>1</sup>
2	Palm Valley Shallow	1	83 – 165	83 – 165 <sup>2</sup>
3	Ooraminna	1	89 – 158	89 – 158 <sup>3</sup>
<b>TOTAL 2P</b>		<b>4</b>	<b>282 – 509</b>	<b>227 – 415.5<sup>4</sup></b>
Existing Total Reserves			125.9 <sup>5</sup>	
<b>TOTAL POTENTIAL 2P CENTRAL RESERVES</b>			<b>352.9 – 541.4<sup>4</sup></b>	

- If the prognosis is confirmed by drilling, 377.7 PJ (when combined with the existing 125.9 PJ (i.e. 3 x 125.9)) could triple our reserves in time to have delivery coincide with the NGP becoming operational.

<sup>1</sup> Central Petroleum volume assessment of the Mereenie Stairway volumes are based on a Best Technical Estimate (BTE) updated for Special Core Analysis and Petrophysical log interpretation, post scheme of arrangement booklet dated 28 April 2017 (as supplemented) (SoA Booklet) review. Estimate is the BTE of the Stairway component of 2C, 145PJ (NSAI 182PJ; RISC 195PJ, pages 224 SoA Booklet).

<sup>2</sup> Palm Valley estimates are post SoA Booklet and have been peer reviewed by RISC.

<sup>3</sup> Consistent with figures referenced in RISC Independent Technical Specialist's Report appended to SoA Booklet, converted to PJ at 1.1PJ : 1BCF (page 242 SoA Booklet).

<sup>4</sup> Assumes success of drilling campaign on all three fields – the results are not assured. The reserve certifiers will need further work before certifications.

<sup>5</sup> Consistent with 2P figure net to Central quoted in RISC Independent Technical Expert's Report appended to SoA Booklet (page 139 SoA Booklet).



# RESERVES AND RESOURCES<sup>1</sup>

1	Mereenie Stairway <sup>2</sup>	Low	Most Likely	High
	Best Estimate EUR Gross (PJ)	110	145	186
	Best Estimate EUR Net (PJ)	55	73	92.5
2	Palm Valley Shallow <sup>3</sup>	Low	Most Likely	High
	Best Estimate EUR (PJ)	83	127	165
3	Ooraminna <sup>4</sup>	Low	Most Likely	High
	Best Estimate EUR (PJ)	89	120	158
	<b>TOTAL GROSS RESERVES (excl existing)</b>	<b>282</b>	<b>392</b>	<b>509</b>
	<b>TOTAL NET RESERVES (excl existing)</b>	<b>227</b>	<b>320</b>	<b>415.5</b>

<sup>1</sup> Assumes success, which is not assured. The reserve certifier will need further work before certification.

<sup>2</sup> Central Petroleum volume assessment of the Mereenie Stairway volumes are based on a Best Technical Estimate (BTE) updated for Special Core Analysis and Petrophysical log interpretation, post SoA Booklet review. Estimate is the BTE of the Stairway component of 2C, 145PJ (NSAI 182PJ; RISC 195PJ, pages 224 SoA Booklet).

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# MOST LIKELY RESERVES

- The combined total **Most Likely**<sup>1</sup> volume as highlighted are:



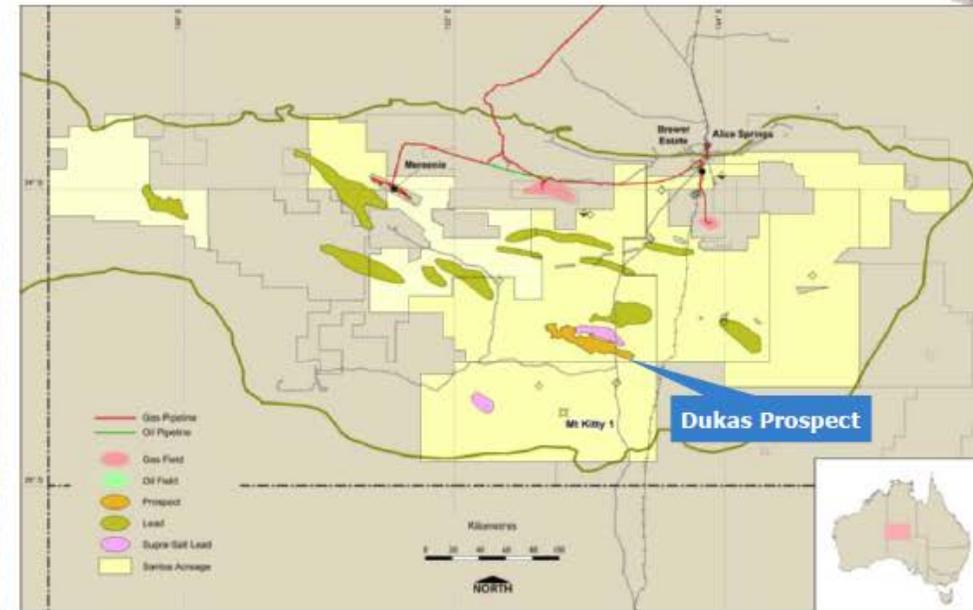
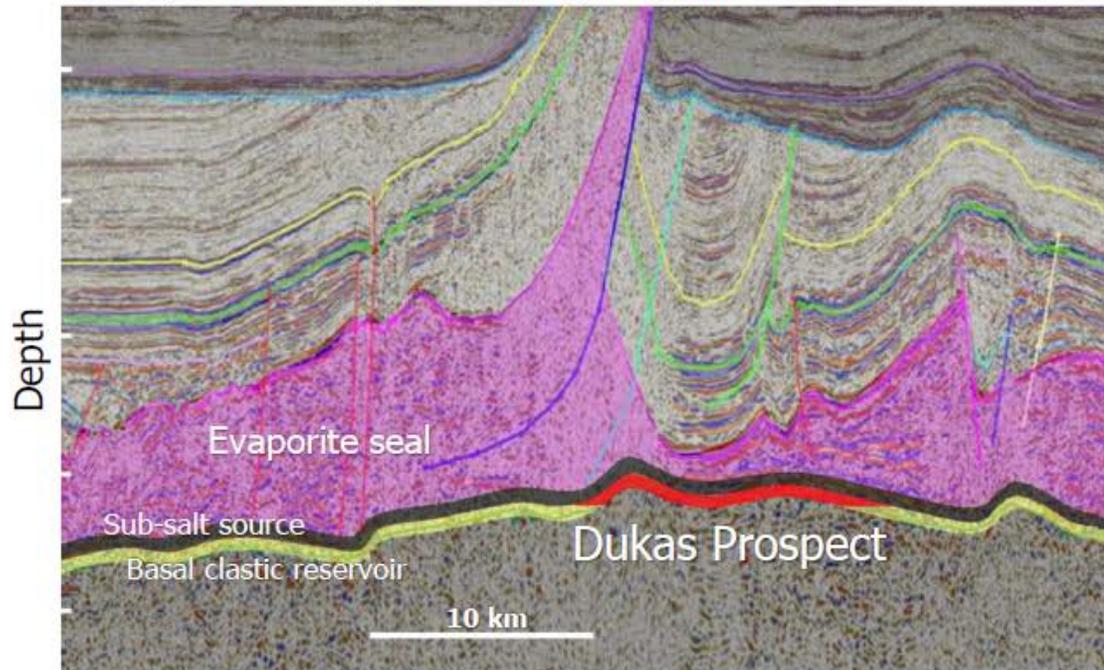
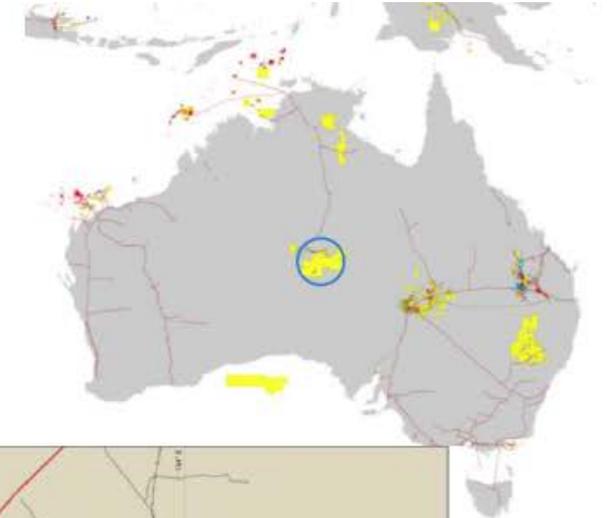
- There remains a risk that any or all three prospects do not deliver on this prognosis
- The recent EDL contract ensures that present operations remain cash-flow positive until the NGP is operational

<sup>1</sup> Assumes successful drilling campaign on all three fields – the results are not assured. The reserve certifiers may need further work before certification.

# OTHER EXPLORATION: AMADEUS BASIN (Santos JV)

## Frontier sub-salt play – Multi-TCF gas potential

- + 2D seismic acquisition Dec17/Jan18 to supplement multiple phases of regional reconnaissance seismic (2014 and 1H 2017 campaigns) – prospect delineation
- + Geologic concept on farm-in - regional sub-salt central basin arch hosting large sub-regional closures – validated: Dukas Prospect ~520 km<sup>2</sup> closure
- + On discovery, elemental He and H gas stream contents represent high value liquids proxies
- + Exploration well planning for Q1 2019 drill



# ACCC INQUIRY INTO THE EAST COAST GAS MARKET - 2016

Chart 1.1 Forecast gas supply and demand balance in the east coast gas market, excluding Arrow, 2016-25

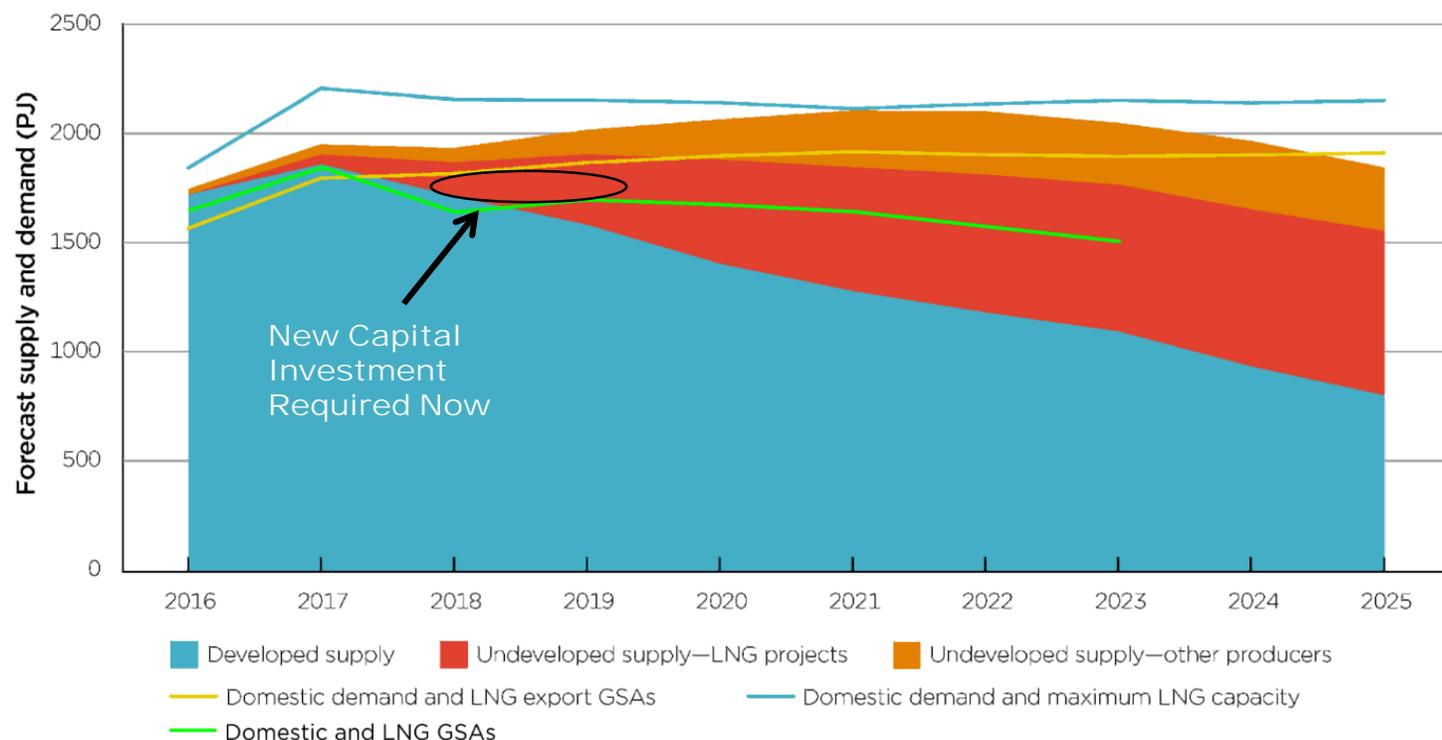


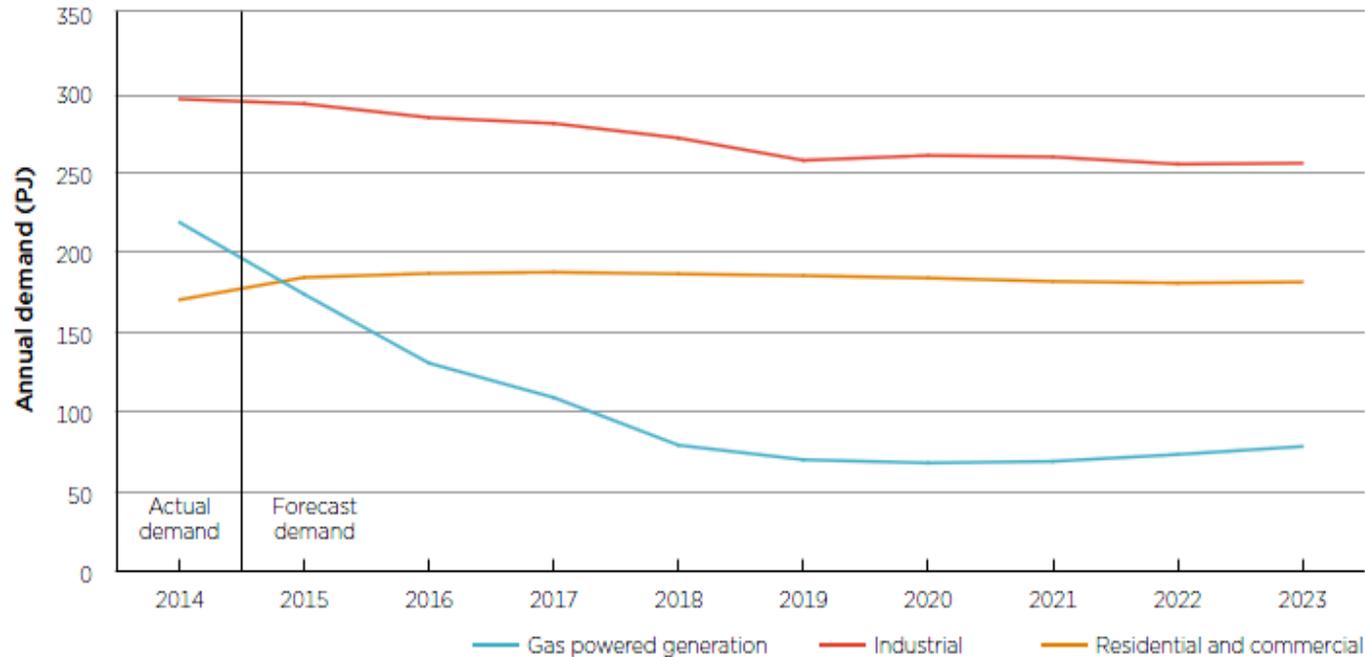
Chart 1.1 Source: ACCC Inquiry into the East Coast Gas Market Report

- Sufficient gas is available for existing domestic and LNG contracts through 2018
- Undeveloped supply needs to be brought to market from 2018 (this is at serious risk through moratoriums, ineffective economic regulation of pipeline tariffs, and depressed energy markets generally)
- The east coast market is critically short of gas from 2018



# ACCC INQUIRY INTO THE EAST COAST GAS MARKET - 2016

Chart 1.6 Actual and forecast domestic demand, 2014-23

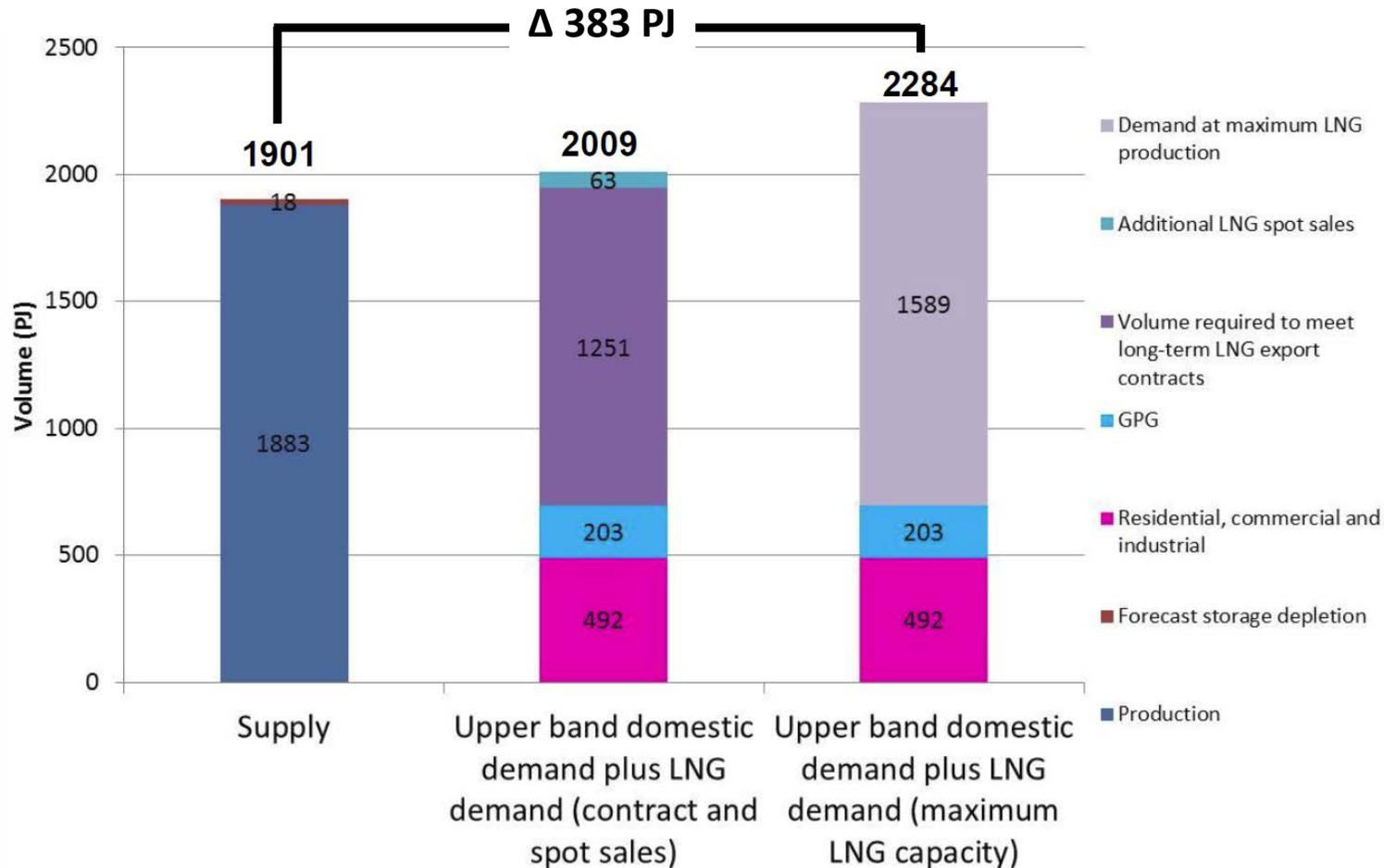


Source: AEMO's 2015 National Gas Forecasting Report.

The ACCC forecasts already include significant destruction in industrial energy customers and a significant pull back in gas generation. A gas supply shortfall will cut beyond what has already been factored in.

# ACCC GAS INQUIRY 2017-2020

Chart 2.4 – Forecast supply-demand balance in the East Coast Gas Market for 2018 (based on AEMO’s upper band domestic demand).



# 2022 - HINDSIGHT

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The Real Crunch to Australia will be in 2022 when:

- LNG spot market equals or exceeds long-term pricing
- Liddell closes.

The volatility in gas price must be accompanied by supply chain flexibility to allow independent “futures” market.

Electricity companies will profit by VoLLatility\* in electricity market if physically hedged.

\* Volume of Lost Load

# CTP's POSITION

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- Fully funded four hole appraisal programme over three fields in first half of 2018
- Brownfield development with historical capacity of 70 TJ/day (Gross) in the existing plant, with NGP having 60 TJ/day capacity available in late 2018
- If drilling confirms prognosis and pipeline reforms synergistic with reforms on “uncovered” pipeline, Central’s gas from existing production areas (including ex-field costs) could be delivered at around \$5/GJ to Sydney
- CSG marginal ex-field predicted \$5.70/GJ. ACCC estimates benchmark prices to be \$7.77/GJ in the Southern States and \$5.87 in Queensland
- Price will be long-term \$8 to \$10/GJ Citygate
- Annual incremental royalties for Northern Territory, if drilling confirms prognosis, is \$10.5m to \$16m to NT Government and \$2.3m to \$3.5m to CLC
- “Covered pipelines” to come
- Day-ahead Auction for capacity to come



# MILESTONES – CTP IS PERFECTLY POSITIONED

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## 2017

### Q3:

- Fundraising for drilling *Completed*
- Joint Marketing Agreement with Macquarie *Agreed*

### Q4:

- Interim approval from ACCC
- Joint Venture approval for Mereenie campaign
- Regulatory approval to be obtained



# MILESTONES – CTP IS PERFECTLY POSITIONED

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## 2018

### Q1:

- Drilling at Mereenie

### Q2:

- Drilling at Palm Valley and Ooraminna
- Marketing of gas for new reserves

### Q3:

- Reserve certification process commenced
- Sales contracts

### Q4:

- NGP commissioned
- Gas delivered into east coast market



# NEW DIRECTORS

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**Martin Kriewaldt** was appointed to the Board effective 23 October 2017 and is up for ratification at the AGM.

Martin is a Life Fellow of the Australian Institute of Company Directors (AICD), a former recipient of the AICD Gold Medal with a highly regarded history of directorship including, amongst others, Suncorp Limited and Oil Search Limited.



**Sarah Ryan** was appointed to the Board effective 23 October 2017.

Dr Ryan's career has traversed senior roles in technical, commercial, investment and governance aspects of the oil and gas industry. Recently recognised as a Fellow of the Australian Academy of Technology and Engineering and a director of Woodside Petroleum Limited since 2012, Dr Ryan is exceptionally well credentialed.

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