ASX

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ANNOUNCEMENT AND MEDIA RELEASE

Central Petroleum

8 March 2016

Development Update

The Northern Gas Pipeline ("NGP" – formerly called "NEGI") has been awarded to Jemena and the Final Investment Decision ("FID") has occurred. The NGP will be either a 12" or 14" line with an initial capacity of approximately 100 TJ/day (36.5 PJ p.a.) or 150 TJ/day (55 PJ p.a.). The NGP is expected to be able to flow gas in calendar year 2018.

The Northern Territory Power and Water Corporation has contracted to supply 30 TJ/day (11.4 PJ p.a.) for transportation through the NGP, leaving a minimum spare capacity of around 70 TJ/day (25 PJ p.a.) to be contracted prior to commissioning in 2018.

This allows the Amadeus Basin gas producers nearly two years in which to prove up and contract reserves with certainty in advance of the NGP completion. This means our pathway to market will be built independent of any actions by the Amadeus Basin producers, including Central Petroleum Limited (**ASX:CTP**) ("**Company**" or "**Central**").

Originally Central budgeted for a reserve upgrade programme which would have provided sufficient results by mid this year to enable NEGI to go FID. This target required relatively expensive external resources with the possibility of appraisal drilling at Mereenie by that time. The continued softening of the crude oil price over summer has had two impacts on this company:

1. 30% of our revenues are attributable to crude oil sales from Mereenie; and
2. the market sentiment towards even domestic gas producers remain weak.

With the NGP FID now taken Central intends to reorganise its development programme to more efficiently fund any appraisal drilling on the Stairway and P4 Formation at Mereenie and to wait until the Company has secured an economic pathway to market.

As a result the reserve upgrade programme will now be in three stages. Stage 1, which has been completed and awaiting certification, is the review of all existing data from Mereenie including nearly 60 wells already drilled and selected wire-line 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 has been completed at a cost of $4 million and has allowed us to go to market for long term gas supply contracts into the NT or the east coast. As new sales are secured, new funding capacity is made available for future reserve programme activity.

Subject to Mereenie JV approval, Stage 2 consists of refining and optimising of Stage 1, including possibly production testing. This should increase further the reserves available for contracting. In addition, production results at Dingo will be incorporated.

Stage 3 (again subject to JV 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.

By advancing our reserve upgrade programme in stages, to take advantage of the optionality resulting from the now committed NGP, we can substantially reduce the overall costs of the programme by utilising internal resources (as opposed to external). We can better tailor the timing of the programme to our financial advantage without affecting the timing of the actual cash flow from sales from 2018.

As a result of the above (combined with the fact that we are in advance of our permit obligations) the Company has decided to reallocate the resources of the exploration department to the reserve growth and development of Mereenie, Palm Valley and Dingo. This decision has the consequence that the General Manager Exploration, Mr Mike Bucknill, has left the company.

The company wishes to acknowledge Mr Bucknill's contributions over the last two years.

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