

11 December 2019

Central Signs New Gas Supply Agreement and Supporting Mereenie JV commercial Arrangements

Highlights

- New gas sale agreement (“GSA”) for Central Petroleum Limited (“Central”) and its Mereenie Joint Venture (“MJV”) partner to supply up to 21.9 Petajoules (PJ) of gas over three years to AGL Energy from 1 January 2020:
 - Gas sales to commence on expiration of Central’s current GSA with Incitec Pivot
 - Strong GSA pricing expected to increase Central’s average portfolio gas price
 - Central to be allocated the majority of gas sales during the first two contract years
- A package of commercial arrangements for the MJV have been agreed to support ongoing investment in Mereenie field production and to facilitate current refinancing and farmout efforts
- Gas marketing continues and Central is well placed for additional firm and non-firm sales in 2020 and beyond.

New Gas Sale Agreement

Central today announces a new GSA has been signed by the MJV with AGL Energy. The agreement provides for up to 21.9 PJ of ‘firm’ and ‘as-available’ gas supply over three years. Gas will be supplied under the GSA by Central and its MJV partner, Macquarie Mereenie Pty Limited. The GSA is subject to conditions precedent, including the execution of final gas transportation agreements.

Whilst Central has a 50% contractual obligation for gas supply under the GSA, Central expects to receive the benefit of the majority of the revenue during the first two contract years under portfolio balancing arrangements with its MJV partner, discussed later in this release.

Commencement of supply on 1 January 2020 coincides with the expiration of Central's Incitec Pivot Ltd GSA and will have a positive impact on Central's average portfolio gas prices.

According to Leon Devaney, Central's MD and CEO: "This is an exciting step in our continuing supply into the east coast from our Northern Territory production facilities. The east coast market remains short on term-gas supply and securing a blue-chip customer such as AGL Energy demonstrates market confidence that our production assets in the Northern Territory provide a reliable source of gas supply for domestic customers."

Mereenie Joint Venture commercial arrangements

To support the AGL Energy GSA and the ongoing investment necessary to optimise Mereenie field production, the MJV participants have agreed a package of commercial arrangements for natural gas delivered from the jointly-owned Mereenie Field. The arrangements are to accomplish two main outcomes:

1. Portfolio balancing: Gas supplied under the AGL Energy GSA will be re-allocated between Central and Macquarie Mereenie Pty Limited with the goal of equalising monthly sales volumes from the Mereenie field. Under this balancing mechanism, Central is expected to be re-allocated the majority of gas supplied under the AGL Energy GSA during the first two contract years.
2. Overlift return: a portion of Central's current overlift imbalance is to be gradually returned over a period consistent with the term of the AGL Energy GSA. The overlift return is structured through a 2.4PJ gas purchase agreement spread over the three years from 1 January 2020.

As a package, the new commercial arrangements provide MJV alignment for ongoing investment in field production capacity.

Central's MD and CEO, Leon Devaney said: "Whilst execution of a new GSA and the supporting MJV commercial arrangements took longer than anticipated, it was important to get this right. We have now locked in the strong price signals we have seen in the east coast through a fixed price, CPI escalated, three-year term GSA which will increase our average portfolio gas price. The package of MJV commercial arrangements supports new investment in Mereenie field production capacity to deliver the AGL Energy GSA as well as new gas sales into an east coast market that remains structurally short for term gas supply. Importantly, these arrangements facilitate Central's current refinancing and farm-out activities."

Leon went on to say: "2020 is shaping up to be a very exciting year, with a number of big goals set for exploration and the Range Gas Project."

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