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ANNOUNCEMENT AND MEDIA RELEASE

Central Petroleum

27 March 2020

Operational Update

Central Petroleum Limited (**ASX:CTP**) ("**Company**" or "**Central**") provides the following update on business activities in the wake of unprecedented market conditions and the operational challenges originating from the unfolding COVID-19 crisis.

How resilient is Central during periods of low energy prices?

Central has accumulated a portfolio of operating assets that generate positive cash flow and allow the Company to weather deep market cycles. Combined with the actions identified below, Central has never been more financially resilient due to factors including the following:

- Available cash balance as at 29 February was $27.2 million, up from $14.9 million at 31 December 2019;
- Long-term, fixed-price gas contracts with take-or-pay provisions for 8.5PJ pa provide a 'floor' for gas revenues in excess of $48 million per year (excluding any oil sales). This is 188% higher than the take-or-pay gas volumes under contract when the debt facility was originated in 2015;
- Central's direct exposure to oil prices is small, with oil accounting for only 11% of revenues in the six months to December 2019;
- The timing for, and extent of, capital expenditure on development wells targeting an increase in field production capacity can be adjusted to reflect prevailing market conditions;
- There is no material mandatory capital expenditure required to maintain plant capacity in the near term;
- Debt facilities were recently extended to September 2021, with scheduled principal repayments of only $5 million due in the next 12 months. This compares to $21.5 million of scheduled repayments made in CY2019. In addition, the interest cost on outstanding debt is linked to variable BBSY rates which are now at historical lows; and
- There are no material exploration commitments in Central's portfolio that must be funded over the next 18 months.

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Notwithstanding the above, Central will continue to implement significant cost savings to reflect market conditions and adjust its business strategies in case these business challenges continue to escalate.

How is COVID-19 impacting current operations?

At this time, it is not anticipated that there will be any material impact on production capacity.

Businesses around the world are facing unprecedented challenges and disruption as a result of the COVID-19 virus. Central is no different and is currently actively managing the practical implications of COVID-19 on its operations, including: the logistics of remote working; access to contractors and specialist resources; interstate and remote community travel restrictions; supply chain disruptions; heightened hygiene protocols; and delays in planning and approval processes.

Central provides an essential service, with its gas sales used to generate electricity, drive industry and provide energy to Australian homes and businesses. Accordingly, Central has remained focussed over the past few weeks on ensuring that its Northern Territory operations are able to continue to responsibly supply its NT and east coast customers throughout this period. This includes increasing critical spare parts and consumable inventories, strengthening field staffing arrangements and revising fly-in fly-out procedures to comply with evolving Northern Territory and other federal, state and territory Government requirements.

What are the impacts on growth activities?

Growth has been, and remains an overall business priority for Central, but the current extraordinary market conditions dictate that Central's immediate focus must be on the resilience of the business to navigate historically low energy prices for an uncertain, but possibly extended, period.

Central's operations are financially resilient but depressed oil and gas prices do have an impact on that part of free cash flow which is used to fund discretionary growth activity. In addition, the logistical challenges caused by the COVID-19 virus are hindering Central's ability to execute current and planned discretionary projects. This necessitates changes in current schedules and forward activities as follows:

- **Range coal seam gas project** - Central and Incitec Pivot (IPL) have been targeting a final investment decision (FID) for the Range CSG project in early 2021, with pre-FID activities and planning for a three well appraisal pilot well advanced. Due to current market conditions, certain pre-FID workstreams and the pilot programme will be temporarily paused. The Range project activity to date has largely been delivered through the use of contractors, so a temporary pause in certain activity can be efficiently implemented, with the potential to quickly re-start activity when appropriate.

The timing to recommence the Range pre-FID work programme is uncertain at this time. Although this action will result in a delay in the target FID timing, Central and IPL remain committed to this important project and look forward to accelerating pre-FID activity as soon as business conditions permit.

- **CY2020 exploration programme** – Central is well-advanced with planning for a major exploration programme in the Northern Territory's Amadeus Basin, consisting of five high-graded drillable prospects and two appraisal tests. Whilst the exploration schedule was targeting 2020, this is no longer feasible given the logistical constraints imposed by COVID-19 on our operations. A revised exploration schedule is currently being developed and will be confirmed after operational and market conditions have stabilised.

  In addition, the exploration programme is to be funded through a formal farmout process that was to be completed by mid-year. Although current market conditions remain depressed, the farmout process continues to attract strong interest from local and international industry participants. As such, discussions with select parties will continue on a slower schedule, subject to any revised exploration programme and where Central believes a counterparty has a similar long-term view of value. Any contemplated transaction will need to be value accretive to Central's shareholders.

- **Dukas #1 well** – The Dukas #1 well was suspended at a depth of 3,704m, after encountering hydrocarbon-bearing gas from an over-pressurised zone close to the primary target. Central and Santos continue to collaborate closely on a forward plan for the Dukas #1 well, however, given current market conditions the parties will suspend activity at this time. Central remains committed to completing this potentially market-changing exploration well, but the timing for the joint venture to return remains uncertain.

"While Central is well positioned with significant cash balances and a portfolio of cash-positive assets, these are unprecedented market conditions and my priority at this time is to protect the significant value we see in the business", said Leon Devaney, Central's Managing Director and CEO.

"Central continues to be a compelling growth story, but our immediate focus must be on continued safe operations at our three NT production facilities and the prudent fiscal management of the Company during these challenging conditions. We are committed to emerging from these extraordinary business conditions strong and ready to take full advantage of the inevitable recovery in energy markets", he added.

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This ASX announcement was approved and authorised for release by Leon Devaney, Managing Director and Chief Executive Officer.

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