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STAIRWAY SANDSTONE CONFIRMS GAS FLOW - LIFTS OIL PRODUCTION

The 30 day production testing of the Stairway Sandstone at Mereenie (operated by Central Petroleum in a joint venture with Santos) free flowed at an average of 1.5 million cubic feet per day (approximately 1.5 TJ/d). The 30 day production testing at the previously drilled West Mereenie-15 (WM15) finished on 22 June 2016. The test recorded low nitrogen content of 2.6%; well below the East Coast gas specification.

These results are encouraging as the well was not designed initially to optimise production from the Stairway Sandstone, and so higher rates may have been achieved if the well had been designed specifically for production from the Stairway.

WM15 was drilled in 1999 and completed as a producing well in the Pacoota Formation some 336 metres below the Stairway. To production test the Stairway, the Pacoota Formation was isolated and a sliding sleeve in the well opened allowing access to the Stairway Sandstone.

The Stairway Sandstone is not an existing zone of production and under the present Mereenie Gas Reserves certification is classified as part of the 182 PJs of 2C contingent resources (gross joint venture share) (see ASX Announcement "Mereenie Reserves Upgrade" dated 14 March 2016 ("**Mereenie Reserves Statement**")). As highlighted in the Mereenie Reserves Statement, successful demonstration of this new production zone along with connection to the east coast gas market via the Northern Gas Pipeline is expected to enable these contingent resources to be certified as reserves.

Importantly, the production of low nitrogen gas allows Central to optimise our oil production resulting in a 7.5% lift in oil production last month at no extra cost. If continued this would create an additional annual gross production of 17,000 bbls (Central's share 8,500 bbls).

"Given that the Stairway Sandstone is above the presently producing Pacoota Formation, any development of the Stairway will be able to access the existing field gathering systems. Its quality is such that the Stairway gas, if able to be developed, should be able to lower the processing costs of the whole of the gas production and, as a result, WM15 will remain on production," said Richard Cottee, Managing Director of Central Petroleum Limited. "The potential for including the Stairway as incremental reserves is tantalizingly close", he said.

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