

**20 June 2014**

ABN 72 083 254 308

**MARKET UPDATE****Southern Georgina JV Drilling Programme**

As previously announced by Central Petroleum Limited (**ASX:CTP**) ("**Company**" or "**Central**"), the initial drilling programme was delayed due to access issues. These issues have now been satisfactorily resolved so that the first well should be spudded in mid to late July. This is the commencement of the drilling phase of US\$78.5 million Stage 1(a) & (b) of the Total Farm-in for Queensland.

**Palm Valley Gas Fields**

The sales nominations received since May have been at the acquisition economics levels of around 100,000GJ per month. With a successful transition of operatorship having been completed, Central is reviewing the geology of Palm Valley for further opportunities and operations for any efficiency gains that can be garnered particularly after the commissioning of the Dingo Gas Field.

**Dingo Development**

The development of the Dingo Gas Field continues apace with first gas anticipated in the first half of 2015. The development costs are being financed through a loan facility with Macquarie Bank. The Company is concentrating on securing further sales contracts from this field and Palm Valley to enhance contributions to the financial health of the Company. Present indications are encouraging.

**Mt Kitty**

In April, Mt Kitty flowed gas at the maximum rate of around 500,000scf per day through a 1-1/4" choke when a rig incident prevented proper evaluation of the discovery. Central is awaiting the operator's recommendation as to how the appropriate information can be gathered. The timing of whatever recommendations may be made will be affected by rig availability.

Given the nearly 10% Helium detected in the sample which sells around \$100/mcf (or nearly twenty times more valuable than natural gas) Central has been evaluating the prospect of

Helium extraction and sales at the well head through relatively portable membrane technology. Helium has an important use in modern medicine, particularly MRI scans. Early indications are that even a relatively small field of Helium of this quality can be quite economic.

### **Surprise West**

Surprise West continues to produce in the range of 225-250bopd which is below initial expectations but remains a valuable cash-flow contribution to the Company. Central is actively pursuing market opportunities for domestic use whilst also concentrating on obtaining efficiencies in its transportation costs.

### **Surprise East**

The drilling of Surprise East has been delayed by the nominated rig being held up at its previous drilling commitment. The rig may soon be available but the Company will test the market to ensure the appropriate value for money is obtained. In addition, Central is evaluating the results from Surprise West to see if any changes to the design of the programme can be made to reduce costs.

### **NT Hydraulic Fracturing (Fracking) Inquiry**

Central has made a submission to the Fracking Inquiry set up by the Northern Territory Government. Central's concern is that the wider issue of hydraulic fracturing has been dominated by misinformation and hyperbole. Our submission, along with that of APPEA, tried to present facts and evidence to enable an objective assessment of fracking oil & gas production narrowed to just two states. In our submission we highlighted that:

- 1) Nearly 50% of the world's and practically all of the Cooper Basin's oil and gas is extracted from fracked sources;
- 2) Fracking has been carried out for over 65 years; and
- 3) The USA EPA has no reported incidence of any damage to aquifers as a result of fracking in its last 1 million wells.

The effect of curtailing the world's oil and gas production by over 50% would impact food production (fertilizer and tractors), clothing (nylon), fuel efficient cars (plastics) and trucking, shipping and air travel as oil or gas is an irreplaceable component in more than just energy and electricity.

Shareholders are invited to make whatever submissions they deem necessary to this inquiry as presently the opponents of fracking, who use standardised submissions through the internet, are disproportionally represented in the total number of individuals.

## **Traditional Owners**

Since the commencement of production at Surprise and the acquisition of Palm Valley this year the Company has employed or is training 4 Traditional Owners representing 30% our production workforce and brings total Indigenous employment throughout the Company to over 10% of the Company's total full-time employees. Over time we look forward to extending this choice to more traditional custodians of the land.

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