

## **OPERATING ACTIVITIES REPORT AND ASX APPENDIX 5B For the Quarter ended 31 December 2016**



*Figure 1: December and January have been very wet, turning the “Red Centre” verdant green.*

### **HIGHLIGHTS**

- The 2016 Annual General Meeting (AGM) was held on 9 November 2016 with all resolutions overwhelmingly passed by Shareholders.
- On 10 November 2016, the Company received an unsolicited, indicative and non-binding proposal from Macquarie to acquire 100% of the issued capital of Central by way of a Scheme of Arrangement at 17.5 cents per share. The Board of Directors subsequently determined the proposal was not in the best interests of shareholders however granted Macquarie confidential due diligence with a view to Macquarie developing an improved proposal.
- Santos Limited sold its 50% interest in the Mereenie Oil and Gas Field (including the Mereenie to Alice Springs Pipeline) to Macquarie Mereenie Pty Ltd, a subsidiary of Macquarie, for \$52 million. Central remains Operator of the Mereenie Field.
- The Vertigan Report was adopted by the Council of Australian Governments’ Energy Ministers on 14 December 2016 foreshadowing a basic structural reform of pipeline tariffs and services.
- Testing of the Stairway Sandstone at Mereenie from the previously drilled West Mereenie 15 continues free flowing gas at sustainable rates with a low nitrogen content of 2.6%. Additional recompletion opportunities have been identified.
- A Texan Court hearing on jurisdiction in respect of the claim by Geoscience Resource Recovery LLC (GRR) ruled that Texas had jurisdiction and was the most convenient forum. Under Texan law process can be served on Central by serving the Texan Secretary of State. The first

knowledge the Company had of the proceedings was through the Australian press. The Company lodged an appeal to the order of the court denying Central's objection to the court's jurisdiction. Central also filed proceedings in the Supreme Court of Queensland against GRR claiming, among other things, declarations, that under Australian law Central being an Australian company which conducts its business exclusively in Australia, that no agreement had been signed with GRR for certain fees claimed by GRR and, alternatively, even if the agreement was signed (which is denied), the Company's Exploration Manager at the time had no authority to sign any such agreement.

- Cash balance at the end of the quarter was \$5.9 million.

## MANAGING DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE QUARTER

2016 closed with the December quarter bringing consistent progress in many areas of Company activity across operations and regulatory reform as well as an unsolicited proposal from a Macquarie subsidiary.

A strong financial quarter closed with nearly \$2 million more cash in hand than had been forecast in the previous quarter. The prime drivers of the better performance were tighter capital control, lower operating costs and higher than expected oil prices and production. We ended the year with \$5.94 million (as opposed to the forecasted \$4.1 million) and the receipts of the Take-or-Pay payments for the under lift of gas expected to be \$4.9 million (as opposed to the forecasted \$4.6 million). By January close we expect to be over \$3 million above that forecasted in the September quarterly with our cash balance approximately \$11.5 million.

With the sale by Santos of its 50% stake in the Mereenie oil and gas field to a Macquarie subsidiary, and the higher than predicted cash balance (achieved despite unbudgeted defence costs), the Company intends to accelerate the development of a potential 120 PJ (gross) of incremental reserves in the Stairway formation at Mereenie. It is the Company's highest priority to have the maximum amount of reserves available for transportation through the Northern Gas Pipeline ("NGP") when it becomes operational by the third quarter of next year. The steel pipe has been delivered to Tennant Creek and Jemena has reported the receipt of Native Title approval with the project progressing on schedule.

Well before the NGP becomes available to transport gas from the Northern Territory to Australia's east coast demand centres we expect the implementation of significant and beneficial reform of domestic gas transportation regulations. These reforms were recommended by Dr Michael Vertigan and adopted in principle by the Council of Australian Governments ("COAG") Energy Minister's meeting on 14 December 2016. The reforms include establishing appropriate economic parameters for all pipeline services (not just point-to-point forward haul) reflecting appropriate cost of services parameters. The regulations would also provide easier access to faster and clearer arbitration (especially if the "Final Offer" proposal, developed by Dr Vertigan, is adopted). As explained in the recent investigation by The Australian newspaper (16 January 2017), once our gas reaches Mt Isa, it is basically back haul all the way to Sydney AND Melbourne which requires a very low level of pipeline service at a commensurately low cost. These reforms will substantially cheapen the cost of transporting Northern Territory gas into the domestic centres of demand.

The investment theme of Central since 2013 has been that there will be a major shortage of natural gas in the eastern seaboard by 2018 with dire consequences to the national economy and jobs unless companies like Central geared up to become new suppliers by then. It has been hard work and a long and winding road but we are on the cusp of becoming such a new supplier, at exactly the right time.

Other reforms recommended by the Australian Energy Market Commission ("AEMC") of allowing access to contracted by unutilised capacity on a daily auction basis was also adopted at the COAG Energy Minister's meeting. The first part of these transformatory reforms are scheduled to be finalised and adopted by the mid-May Energy Minister's meeting. The AEMC reforms should demolish the present barriers to entry for financial intermediates to enter the spot market, increasing transparency and efficiency and allow the whole domestic market to be more flexible and responsive to demand,

and mitigating to some extent the impacts of the gas shortage on gas users. Additionally, such market operating improvements could be expected to lead to the development of risk management tools which are available in overseas gas markets but presently inhibited in the unreformed National Gas Market.

Santos commenced its seismic programme aimed at delineating the Dukas prospect of which Central holds 30% (which according to Santos' presentation is a multi TCF gas and helium target). This is part of the Stage 2 Southern Amadeus Basin farmout to Santos. We await the results which may justify the drilling of an exploration well next year on Dukas.

The Due Diligence Room established in response to the proposed scheme of arrangement by a Macquarie subsidiary (which the Board has rejected) has been visited by a number of interested parties. The Board is cognisant of the fact that to optimise the Company's position of supplying gas into the east coast market it will need to be appropriately capitalised, possibly through having a strategic partner on the register.

In summary, it has been a satisfying quarter from which the Company has emerged in a stronger financial position, with improved market prospects and its future as a substantial gas producer coming closer and closer to fruition.

**Richard Cottee**  
**Managing Director**

## REVIEW OF OPERATIONS AND OTHER JOINT VENTURE ACTIVITIES FOR THE QUARTER ENDED 31 DECEMBER 2016 (“THE QUARTER”)

### EXPLORATION/DEVELOPMENT ACTIVITIES:

#### **ATP 909, ATP 911 and ATP 912, Southern Georgina Basin – Queensland** *(Joint Venture between CTP - 90% interest [Operator] and Total – 10% interest [earning])*

Central and Total have suspended work this drilling season expecting to restart in 2017, to minimise capital expenditure in times of low oil prices. No further activity in this quarter.

#### **Santos Stage 2 Farmout – Southern Amadeus Basin, Northern**

The Operator (Santos) has completed analysis of integrated seismic, gravity, and historic well data and selection of line locations for Stage 2. The final Land Access and Compensation Agreement for the Amadeus 2D seismic survey is completed and ministerial approval was obtained. Seismic data acquisition commenced in November 2016 and is expected to be completed mid-2017, weather permitting. Subsequent data processing is expected to be completed in the third quarter of 2017.

Central is actively reviewing data in these permits, seeking to upgrade a variety of exploration play types and targets, which could be prospective for hydrocarbons and/or helium.

Southern Amadeus Area	Total Santos Participating Interest after completion of Stage 1	Total Santos Participating Interest after completion of Stage 2
EP82 (excluding EP82 Sub-Blocks)	25%	40% (i.e. additional 15% earned)
EP105	25%	40% (i.e. additional 15% earned)
EP106 *	25%	40% (i.e. additional 15% earned)
EP112	25%	40% (i.e. additional 15% earned)

\* Santos (as Operator) has continued the process of an application with the NT Department of Primary Industry and Resources for consent to surrender Exploration Permit 106.

The survey comprises two rounds, the first round being over 1,000km of 2D seismic to mature the natural gas and helium prospective Dukas and Mahler leads, and to gather data for the Rossini lead. The second part of the seismic acquisition program will consist of additional 2D seismic lines over the Dukas Lead to bring the total program to 1,300 line km. Second round line locations will be confirmed at the end of the first round.

The joint venture’s exploration endeavours in this and surrounding permits will focus on maturing large sub-salt leads to drillable status by acquiring further seismic in Phase 2. The primary reservoir objective is the Heavitree Quartzite. Secondary reservoir objectives in the Neoproterozoic units include the Areyonga Fm and Pioneer Ss which are gas bearings in the Ooraminna field.

#### **Amadeus Basin (includes EP115 North Mereenie Block), Northern Territory**

Central’s evaluation of inventory of leads and prospects is now completed. Play types and leads have been developed for the under-explored section underlying the proven Larapintine system, which is believed to be prospective for gas.

#### **Other Exploration and Application Areas**

No significant developments occurred in Central’s other exploration and application areas during the Quarter. However, Central continues to work with stakeholders and progress discussions pertaining to grant of application areas and rationalisation of low prospectivity areas.

## **PRODUCTION ACTIVITIES:**

### **Mereenie Oil and Gas Field (OL4 and OL5) – Northern Territory**

*(CTP-50% interest [Operator], Santos-50% interest purchased by Macquarie Bank effective January 1, 2017).*

#### **During the Quarter:**

- Annual pre-budget Technical Committee Meeting (TCM) and Operating Committee Meeting (OCM) was held with Santos on November 6, 2017.
- Annual meeting with Central Land Council (CLC) and Traditional Owners held at Mereenie on October 27, 2016.
- Statutory vessel inspections in November and December 2016.
- Wellhead gas samples from 30 gas producing wells were taken and their compositions determined. This will aid in production optimisation and Material Balance simulation modeling of the field.
- Central continued to work extensively on the Development Planning for Mereenie to provide additional supply into the Northern Territory or the Northern Gas Pipeline (NGP) in 2018. A brief summary of the work done to date is as follows:
  - Currently modeling natural fractures in the Mereenie field. Surface fracture data has been gathered across a large number of outcrops. This data is being analysed to establish fracture propensity, orientation and location. The resulting fracture map will aid in determining optimal new well locations and wellbore orientation in the Stairway and Pacoota reservoirs.
  - Petrophysical re-interpretation is currently being conducted to establish true effective porosity from logs. The study is across Pacoota and Stairway reservoirs and the results will assist further modelling of these reservoirs as well as further delineating in-place-volume determination.
  - Special core analysis was recently completed on porosity and permeability relationships for Stairway and Pacoota P4. At present, in the final stage of analysis, capillary pressure tests are being performed.
- Large volumes of Contingent Resources have been identified in the Stairway Interburden and Pacoota P4 formations. Operational programs for the conversion of Stairway and Pacoota P4 Contingent resources to reserves have been prepared.
- West Mereenie 15 well continues to flow. This well has lowered nitrogen levels in the sales gas stream by about 1%.
- Central continued to recruit (in the Northern Territory) Northern Territorians and Traditional Owners.
- Process Flow Diagrams and Piping and Instrument Diagrams are complete ensuring that all operations are conducted in compliance with the appropriate State, Territory and Federal legislative requirements.

#### **Health, Safety and the Environment**

- Central achieved a safety milestone of 4 years LTI free, while increasing wells under our operatorship from 1 to 87.
- Central operated BECGS, Palm Valley and Mereenie without a recordable or reportable environmental incident.
- Central has initiated a comprehensive training program to up-skill current capabilities and competencies.



**Figure 2: Roads across all fields were affected by wash-outs and flooding, resulting in road closures.**



**Figure 3: Rapidly flowing water isolates parts of Mereenie Field.**



***Figure 4: Roads have required multiple repairs after frequent major rain events.***

## Dingo Gas Field (L7) and Dingo Pipeline (PL30) – Northern Territory (CTP – 100% Interest)

### During the Quarter:

- Central continued to increase local content in the Northern Territory for Northern Territorians and Traditional Owners.



*Figure 5: Future connection for Central to deliver gas into the Palm Valley-Alice Springs pipeline is now in place at BECGS compound.*

### Health, Safety and the Environment

- Central continues to operate Dingo without recordable or reportable LTI or environmental incidents.
- Central has initiated a comprehensive training program to up-skill current capabilities and competencies.



**Figure 6: Training of Alice Springs based personnel.**



**Figure7: Training includes practical skills required to operate oil and gas fields and associated plants.**

*(All photos © 2016 Central Petroleum Limited, courtesy of Alan Johnson, Safety Coordinator)*

## **Palm Valley Gas Field (OL3) – Northern Territory**

*(CTP - 100% Interest)*

- Shut-down maintenance, vessel inspections and PSV testing were carried out. No non-conformances identified.
- Conducted instrumentation review and cost estimate for remote operations.
- Wellhead gas samples from 30 gas producing wells have been taken and their compositions determined. This will aid in production optimisation (nitrogen levels) as well as material balance, and assist in further simulation modeling of the field.
- Instrumentation engineering study conducted to determine scope of work to remotely operate field.
- Compressors are started on a monthly basis.

## **Surprise Production License (L6) – Northern Territory**

*(CTP - 100% Interest)*

Surprise West remained shut-in during the Quarter. The well has been temporarily shut-in to gather pressure data to assess the re-charge potential of the field. Should oil prices recover significantly, production can recommence after assessing the pressure build-up. Fluid level monitored regularly.

**INTERESTS IN PETROLEUM PERMITS AND LICENCES AT 31 DECEMBER 2016****Petroleum Permits and Licences Granted**

Tenement	Location	Operator	CTP Consolidated Entity		Other JV Participants	
			Registered Interest (%)	Beneficial Interest (%)	Participant Name	Beneficial Interest (%)
EP 82 (excl. EP 82 Sub-Blocks) <sup>1</sup>	Amadeus Basin NT	Santos	60	60	Santos	40
EP 82 Sub-Blocks	Amadeus Basin NT	Central	100	100		
EP 93 <sup>7</sup>	Pedirka Basin NT	Central	100	100		
EP 97 <sup>2</sup>	Pedirka Basin NT	Central	100	0		
EP 105 <sup>1</sup>	Amadeus/Pedirka Basin NT	Santos	60	60	Santos	40
EP 106 <sup>4</sup>	Amadeus Basin NT	Santos	60	60	Santos	40
EP 107 <sup>5</sup>	Amadeus/Pedirka Basin NT	Central	100	0		
EP 112 <sup>1</sup>	Amadeus Basin NT	Santos	60	60	Santos	40
EP 115 (excl. EP115 North Mereenie Block)	Amadeus Basin NT	Central	100	100		
EP 115 North Mereenie Block	Amadeus Basin NT	Santos	60	60	Santos	40
EP 125	Amadeus Basin NT	Santos	30	30	Santos	70
OL 3 (Palm Valley)	Amadeus Basin NT	Central	100	100		
OL 4 (Mereenie) <sup>6</sup>	Amadeus Basin NT	Central	50	50	Santos	50
OL 5 (Mereenie) <sup>6</sup>	Amadeus Basin NT	Central	50	50	Santos	50
L 6 (Surprise)	Amadeus Basin NT	Central	100	100		
L 7 (Dingo)	Amadeus Basin NT	Central	100	100		
RL 3 (Ooraminna)	Amadeus Basin NT	Central	100	100		
RL 4 (Ooraminna)	Amadeus Basin NT	Central	100	100		
ATP 909 <sup>1</sup>	Georgina Basin QLD	Central	90	90	Total	10
ATP 911 <sup>1</sup>	Georgina Basin QLD	Central	90	90	Total	10
ATP 912 <sup>1</sup>	Georgina Basin QLD	Central	90	90	Total	10

**Petroleum Permits and Licences under Application**

Tenement	Location	Operator	CTP Consolidated Entity		Other JV Participants	
			Registered Interest (%)	Beneficial Interest (%)	Participant Name	Beneficial Interest (%)
EPA 92	Lander Trough NT	Central	100	100		
EPA 111 <sup>3</sup>	Amadeus Basin NT	Central	100	100		
EPA 120	Amadeus Basin NT	Central	100	100		
EPA 124 <sup>3</sup>	Amadeus Basin NT	Central	100	100		
EPA 129	Lander Trough NT	Central	100	100		
EPA 130	Pedirka Basin NT	Central	100	100		
EPA 131	Pedirka Basin NT	Central	100	100		
EPA 132	Georgina Basin NT	Central	100	100		
EPA 133	Amadeus Basin NT	Central	100	100		
EPA 137	Amadeus Basin NT	Central	100	100		
EPA 147	Amadeus Basin NT	Central	100	100		
EPA 149	Amadeus Basin NT	Central	100	100		
EPA 152	Amadeus Basin NT	Central	100	100		
EPA 160	Lander Trough NT	Central	100	100		
EPA 296	Lander Trough NT	Central	100	100		

**Pipeline Licences**

Pipeline Licence	Location	Operator	CTP Consolidated Entity		Other JV Participants	
			Registered Interest (%)	Beneficial Interest (%)	Participant Name	Beneficial Interest (%)
PL 2	Amadeus Basin NT	Central	50	50	Santos	50
PL 30	Amadeus Basin NT	Central	100	100		

**Notes**

- Santos' and Total's right to earn and retain participating interests in the permit is subject to satisfying various obligations in their respective farmout agreement. The participating interests as stated assume such obligations have been met, otherwise may be subject to change.*
- On 20 June 2016 Central submitted an application to the NT Department of Primary Industry and Resources for consent to surrender Exploration Permit 97.*
- Central has granted Santos the right to acquire a 50% interest in EPA 111 and EPA 124.*
- Santos (as Operator) has continued the process of an application with the NT Department of Primary Industry and Resources for consent to surrender Exploration Permit 106.*

- 5 *On 23 September 2016 Central submitted an application to the NT Department of Primary Industry and Resources for consent to surrender Exploration Permit 107.*
- 6 *As per the Central's announcement dated 20 December 2016, Santos has agreed to sell its 50% interest in the Mereenie Oil and Gas Field (OL 4 and OL 5) and the Mereenie to Alice Springs Pipeline (PL 2) to Macquarie Mereenie Pty Ltd (a subsidiary of Macquarie Group Limited) with effect on and from 1 January 2017.*
- 7 *On 25 January 2017 Central submitted an application to the NT Department of Primary Industry and Resources for consent to surrender Exploration Permit 93.*

## **CORPORATE:**

### **Cash Position**

The Company began the Quarter with \$7.2 million in cash and at that time had a forecast Cash balance of \$4.1 million for the quarter ending 31 December 2016. As at 31 December 2016, however, the Company had a cash balance of \$5.9 million. All cash positions are inclusive of the Company's share of cash held in Joint Venture bank accounts.

The improved cash balance relative to that forecast was due primarily to increased capital and operating cost efficiencies and increased crude oil pricing and production over the quarter.

During the quarter the company received a Research & Development refund of \$0.6 million.

A further \$1 million principal repayment of the Macquarie Bank loan facility was made along with an interest payment of \$1.6 million.

At 31 December 2016 the Company had annual gas contract Take or Pay receivables amounting to \$4.9 million. These were received in January 2017 along with gas sales and crude oil liftings for December 2016.

The Company constantly reviews its costs in order to prudently manage its cash position.

### **Issued Securities of the Company**

At 31 December 2016 the Company had 433,197,647 ordinary shares on issue, 24,320,699 share rights expiring on various dates and 63,372,950 unlisted options exercisable at various prices and with various expiry dates.

During the quarter, a total of 4,018,668 unlisted options expired and a total of 14,198,406 share rights were granted to employees in accordance with the Company's Employee Rights Plan.

### **Richard Cottee**



**Managing Director**  
**27 January 2017**

**General Legal Disclaimer**

As new information comes to hand from data processing and new drilling and seismic information, preliminary results may be modified. Resources estimates, assessments of exploration results and other opinions expressed by the Company in this announcement or report have not been reviewed by any relevant joint venture partners, therefore those resource estimates, assessments of exploration results and opinions represent the views of the Company only. Exploration programmes which may be referred to in this announcement or report may not have been approved by relevant Joint Venture partners in whole or in part and accordingly constitute a proposal only unless and until approved.

This document may contain forward-looking statements. Forward looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of the Company. These risks, uncertainties and assumptions include (but are not limited to) commodity prices, currency fluctuations, economic and financial market conditions in various countries and regions, environmental risks and legislative, fiscal or regulatory developments, political risks, project delay or advancement, approvals and cost estimates. Actual values, results or events may be materially different to those expressed or implied in this document. Given these uncertainties, readers are cautioned not to place reliance on forward looking statements. Any forward looking statement in this document is valid only at the date of issue of this document. Subject to any continuing obligations under applicable law and the ASX Listing Rules, or any other Listing Rules or Financial Regulators' rules, the Company and its subsidiaries and each of their agents, directors, officers, employees, advisors and consultants do not undertake any obligation to update or revise any information or any of the forward looking statements in this document if events, conditions or circumstances change or that unexpected occurrences happen to affect such a statement. Sentences and phrases are forward looking statements when they include any tense from present to future or similar inflection words, such as (but not limited to) "forecast", "believe", "estimate", "anticipate", "plan", "predict", "may", "hope", "can", "will", "should", "expect", "intend", "is designed to", "with the intent", "potential", the negative of these words or such other variations thereon or comparable terminology, may indicate forward looking statements.

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## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

**Name of entity**

CENTRAL PETROLEUM LIMITED

**ABN**

72 083 254 308

**Quarter ended ("current quarter")**

31 DECEMBER 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	4,642	10,783
1.2 Payments for		
(a) exploration & evaluation	(362)	(1,191)
(b) development	-	-
(c) production	(3,042)	(7,138)
(d) staff costs	(771)	(2,485)
(e) administration and corporate costs (net of recoveries)	326	(247)
1.3 Dividends received (see note 3)		
1.4 Interest received	35	94
1.5 Interest and other costs of finance paid	(1,576)	(3,229)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	634	634
1.8 Lease incentive payments received	193	193
Other	7	28
<b>1.9 Net cash from / (used in) operating activities</b>	<b>86</b>	<b>(2,558)</b>

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(232)	(927)
	(b) tenements (see item 10)	–	–
	(c) investments	–	–
	(d) other non-current assets – Security Bonds	(2)	(270)
	(e) Final balancing payment for interest in Mereenie oil and gas assets	–	(3,342)
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	–	–
	(b) tenements and applications (see item 10 for tenements)	–	80
	(c) investments	–	–
	(d) other non-current assets – redemption of security bonds	–	170
2.3	Cash flows from loans to other entities	–	–
2.4	Dividends received (see note 3)	–	–
2.5	Other (provide details if material)	–	–
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(234)</b>	<b>(4,289)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	–	–
3.2	Proceeds from issue of convertible notes	–	–
3.3	Proceeds from exercise of share options	–	–
3.4	Transaction costs related to issues of shares, convertible notes or options	–	–
3.5	Proceeds from borrowings	–	–
3.6	Repayment of borrowings	(1,156)	(2,328)
3.7	Transaction costs related to loans and borrowings	–	–
3.8	Dividends paid	–	–
3.9	Other (provide details if material)	–	–
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(1,156)</b>	<b>(2,328)</b>

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	7,245	15,116
4.2	Net cash from / (used in) operating activities (item 1.9 above)	86	(2,558)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(234)	(4,289)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,156)	(2,328)
4.5	Effect of movement in exchange rates on cash held	–	–
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>5,941</b>	<b>5,941</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances <sup>1</sup>	5,940	7,244
5.2	Call deposits	–	–
5.3	Bank overdrafts	–	–
5.4	Other (Cash on hand)	1	1
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,941</b>	<b>7,245</b>

<sup>1</sup> Includes share of Joint Venture bank accounts, and cash held with Macquarie Bank Limited (Current Quarter \$1,862,779; Previous Quarter \$2,670,764) to be used for allowable purposes under the Facility Agreement.

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	222
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	–
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Includes Salaries, Directors fees and Superannuation contributions		

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	–
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	–
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end <sup>2</sup> \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	84,809	84,809
8.2 Credit standby arrangements	–	–
8.3 Other (please specify)	–	–
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Represents the Macquarie Bank Facility which is a secured 5 year partially amortising term loan maturing 30 September 2020 with quarterly principal and interest repayments. The weighted average interest rate at end of the current quarter was 7.40% (floating interest rate).

<sup>2</sup> Amortised remaining Facility limit. Original facility limit was \$90 million.

9. <b>Estimated cash outflows for next quarter<sup>3</sup></b>	<b>\$A'000</b>
9.1 Exploration and evaluation	(266)
9.2 Development	–
9.3 Production	(3,718)
9.4 Staff costs (net of recoveries)	(988)
9.5 Administration and corporate costs (net of recoveries)	(1,017)
9.6 Other (provide details if material)	–
<b>9.7 Total estimated cash outflows</b>	<b>(5,989)</b>

<sup>3</sup> Outflows only, does not reflect proceeds from product sales, take or pay, or other income

## Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....  
(Director/Company secretary)

Date: ..27 January 2017.....

Print name: .....JOSEPH MORFEA.....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.